



**Annual Report & Accounts 2015**

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## Strategic Report

# Our Business at a Glance

Tracsis plc was founded in January 2004 to commercialise world class research and expertise developed in the field of transport scheduling and software optimisation technologies.

In the subsequent years Tracsis has grown rapidly, diversified into other related transport technologies, and successfully executed an aggregation strategy that has seen it make a total of 7 acquisitions and a strategic investment so far (this includes the post year end transactions of SEP and Citi Logik). Today, the Group specialises in solving a variety of data capture, reporting and resource optimisation problems along with the provision of a range of associated professional services.

Tracsis' products and services are used to increase efficiency, reduce cost and improve the operational performance and decision making capabilities for clients and customers. The Group has a blue chip client base which includes the majority of UK transport operators such as Arriva, First, Go-Ahead, National Express, Stagecoach, and Virgin. The business also works extensively with large transport authorities and infrastructure operators such as Network Rail, the Department for Transport, Transport Scotland, Transport for London, numerous local authorities and a variety of large engineering and infrastructure companies.

The Group's products and services comprise four principal revenue streams:

- **Software:** Industry strength resource optimisation and rail management software that covers a variety of asset and information classes;
- **Traffic & Data Services:** Collection, collation and analytical services of traffic and passenger/customer data within rail, traffic and pedestrian rich environments. The acquisition of SEP Events post year end further expands this capability into the outdoor and sporting event markets.
- **Professional Services:** Consulting and technology related professional services across the operational and strategic planning horizon for traffic and transport customers; and
- **Remote Condition Monitoring (RCM):** Technology and reporting for critical infrastructure assets in real time, to identify problems and aid with preventative maintenance.

Tracsis has offices in the UK and Australia which service our client base in Europe and Australasia. At year end we employed 320 permanent staff many of whom are shareholders in the company.

The business drives growth both organically and via strategic acquisition and has made seven acquisitions since coming to market in 2007.

## Financial highlights

for the year ended 31 July 2015:

- Revenues increased 14% to £25.4m (2014: £22.4m)
- Adjusted EBITDA increased 20% to £6.5m (2014: £5.4m)
- Profit Before Tax increased 6% to £4.5m (2014: £4.2m)
- Cash balances grew to £13.3m (2014: £8.9m)
- Full year dividend increased 25% to 1.0p per share (2014: 0.8p)

## Strategic Report

# Strategy and Business Model

Our vision for Tracsis is to become a leading provider of high value, niche technology solutions and services for the global traffic and transportations markets. Our business model remains focussed on specialist offerings that have high barriers to entry, are sold on a recurring basis under contract, and to a retained customer base that is largely blue chip in nature with limited competitive pressures. Our vision is being achieved via the delivery of a 3 pronged strategy.

- 1) Manageable, industry-led organic growth through continual innovation of products and services and an excellent close working relationship with our customers.
- 2) International expansion into select overseas markets that share problems with the industries we currently serve.
- 3) Reinvesting company profits to fund further accretive acquisitions that meet with our disciplined investment criteria.

We believe our strategy will allow Tracsis to continue the growth trajectory we have achieved since IPO in 2007 and deliver further significant value to shareholders in the short, medium and long term. Achievements made in the past year in respect of our business strategy can be summarised as follows:

<b>Strand of Strategy:</b>	<b>Achievements 2014/15:</b>
<p>1    <b>Organic</b> further sales from existing products to UK</p>	<ul style="list-style-type: none"> <li>• Overall Group revenues increased from £22.4m to £25.4m with no new acquisitions in the financial year</li> <li>• Strong Group wide levels of trading experienced in the year, in particular at the Traffic &amp; Data Services part of the Group</li> <li>• Consultancy team worked extensively with various transport owning groups on the re-franchising of Northern and Transpennine Express</li> <li>• High levels of recurring revenue from Software suite of products, with very high renewal rates due to nature of the products</li> <li>• Remote Condition Monitoring technology revenues reduced versus prior year (as anticipated) but the division performed very well in spite of this</li> <li>• Several new senior hires recruited into key posts throughout the Group. These include new Head of Software, Head of Consultancy, Group HR Manager and International Business Development Manager</li> </ul>
<p>2    <b>Overseas Markets</b> showing good promise and remain relatively untapped</p>	<ul style="list-style-type: none"> <li>• Continuation of North American rollout for our Remote Condition Monitoring technology</li> <li>• 3 'Class 1' freight operators piloting our technology with a developed pipeline of passenger, transit and other freight rail customers</li> <li>• Signed agreement with US technology partner to help service this territory</li> <li>• Our Australian Traffic &amp; Data Services division contributed £2.2m of revenue in the financial year</li> <li>• Significant further software project delivered in Sweden working with a major transport owning group</li> <li>• Continued good levels of business in Ireland for our Remote Condition Monitoring technology</li> </ul>
<p>3    <b>Acquisitions</b></p>	<ul style="list-style-type: none"> <li>• No acquisitions completed in the financial year (to July '15) although the Group appraised numerous opportunities none of which met with our strict investment criteria</li> <li>• Post year end Tracsis completed a strategic investment into Citi Logik Limited and also completed the acquisition of SEP Limited</li> <li>• The overall volume and quality of acquisition opportunities seen by Tracsis remains high</li> </ul>

## Strategic Report

# Chairman & Chief Executive Officer's Report

### A welcome from Chris Cole, Non-Executive Chairman

My expectations for the progress of our Company since joining the Board as Non-Executive Chairman continued through 2015 in terms of financial results, integration of the Group and the post-year transaction highlights.

I am confident that we are well placed to create opportunities and value in the busy Rail and Transportation sectors we serve.

My thanks to the Directors and Management of Tracsis for delivering excellent results and a sound platform to continue to build upon.

### Introduction

The Group has enjoyed a further year of growth and consolidation, with total Group revenues rising to in excess of £25m, and EBITDA in excess of £6m. Both of these are significantly ahead of the previous year and represent a considerable achievement for Tracsis. The business continues to benefit from significant financial strength, great products and services, and an engaged customer base which operates within a challenging environment of public and political scrutiny.

### Business overview

The Tracsis Group specialises in solving a variety of resource optimisation, rail management, data capture and reporting problems via the provision of a range of software, hardware, and associated high value technology led professional services. We choose to operate in these niche areas where there is clear customer pain, an opportunity to create significant value for customers, and where existing technology solutions are not available. Working in this way, Tracsis can share in the upside of the benefit we bring to our clients and generate significant value for our shareholders. This approach has worked for us since our IPO in 2007 and we continue to deploy this strategy today.

The Group's market offering can be broadly categorised into distinct revenue streams:

- **Software and technology led consulting:** Industry-strength resource optimisation and rail management software that covers a variety of asset classes. Our technology offering is delivered alongside in-house professional services where we have deep industry knowledge across the operational and strategic planning horizons.
- **Remote Condition Monitoring:** Hardware and software that allows for real-time reporting on critical infrastructure assets. We collect, process and analyse significant amounts of data from over 12,000 installations and help our customers identify problems that aid with preventative maintenance. In a nutshell this offering removes considerable delay, cost and uncertainty from a transport network and leads to a safer railway; and,
- **Traffic & Data Services:** Data capture, processing and analysis of traffic and pedestrian data to aid with the planning, investment and ultimate operations of a transport environment. By revenue, this is the largest and most diverse part of the Tracsis Group and we use a variety of technology (WiFi, ATC, ANPR, telco data) to deliver projects for a wide range of blue chip clients.

The Group's mission from the outset has been to solve complex, data driven problems within the transportation markets. Through the provision of its products and services, Tracsis provides its clients with better visibility and information to assist decision making whilst driving efficiency, productivity and enhanced safety. The Directors believe that the transport industry, in particular passenger rail which forms a key part of the Group's business, is well positioned for further growth and the Group should be able to capitalise on this with its expanding portfolio of product and service offerings.

### Financial summary

The Group achieved revenue of £25.4m for the year, an increase of 14% on the prior year (2014: £22.4m) which exceeded the Board's original expectations and was the first time that Group revenues have exceeded £25m. Adjusted pre-tax profit of £5.8m was ahead of market expectations of £5.5m and the previous year result of £5.0m.

Adjusted EBITDA\* increased by 20% to £6.5m (2014: £5.4m) with statutory Profit Before Tax 6% higher at £4.5m (2014: £4.2m). Statutory PBT was impacted by higher amortisation due to the Datasys acquisition from 2014, and higher share based payment charges due to the high take up of the Group's share schemes. The Group also incurred costs of c. £95K in relation to professional fees and due diligence enquiries associated with aborted acquisitions.

At 31 July 2015, the Group had cash balances of £13.3m (2014: £8.9m), with cash conversion remaining strong. Overall cash balances increased by £4.4m in the financial year. In spite of a healthy pipeline of opportunities, no acquisitions were completed during the year.

\* Earnings before finance income, tax, depreciation, amortisation, exceptional items and share-based payment charges

# Chairman & Chief Executive Officer's Report continued

## Trading Progress and Prospects

### Software

Software sales increased significantly to £5.6m (2014: £2.8m), which reflects the full year contribution from Datasys which was acquired in May 2014. This strong performance continues to demonstrate the high levels of recurring revenue for our software which comes from a retained user base under contract.

We now have 10 distinct products across the TRACS, COMPASS and Datasys software range, and continue our strategy of cross selling products to our customer base which is made up of all the major Train Operating Companies along with several smaller transit/metro players and non-franchised rail operators. We continued to invest in new product development, with the bulk of our time being spent developing the Bugle Day One product which won a Modern Railways Industry Innovation Award back in June. Our software division were also successful in delivering a significant installation of COMPASS to a major rail and bus operator in Sweden following on from other successful projects the Group has delivered in this territory. In the past year we also created a new post of Head of Software to help the Group manage technology risk and standardise our approach to technology development, testing and quality assurance.

### Professional Services

Revenue rose 8% to £2.0m (2014: £1.8m) which was a strong performance and follows on from the achievements made last year. Our consultancy division is broader and more diverse than it was a year ago and we have made a concerted effort to bring in new resources to our team to broaden the service offering. Along with several new hires made during the year we also appointed a new Head of Consultancy. These changes were partly to enable a reduction of our reliance on franchise bidding work (which is inherently lumpy in nature) but primarily in order to build a team that was able to quickly take advantage of opportunities in other areas of the rail supply chain which historically have been outside of the core operational planning space.

These changes are beginning to bear fruit and in the first half of the financial year, our team worked on a variety of major projects for Network Rail outside of the franchise bidding space. In the second half of the year, we chose to get heavily involved with two high profile franchise bids working for the transport owning Groups. Tracsis supported submissions for the recent Northern and TransPennine Express franchise bids, and we expect to support bidders for the Greater Anglia and South Western franchises in the coming financial year. Looking ahead, our professional services team will continue to diversify our offering whilst remaining a key source of expertise within the franchise bidding arena.

### Remote Condition Monitoring (RCM)

Revenues of £3.0m (2014: £5.8m) were adverse to the previous year although this decrease was anticipated following a very strong performance in 2014. The trading performance and profitability of RCM in the year remained buoyant and in April 2015 we announced a large order for £1.1m from our major UK based customer. This order was substantially fulfilled by the end of the financial year, and we remain under a Framework agreement with this customer until 2018. Within the UK, Tracsis now has an installed base in excess of 12,000 data loggers and this population is growing steadily as the rail industry continues to invest in smarter ways of working to deliver a most cost effective railway to the customer.

Outside of the UK, we have continued to invest time and effort to develop overseas markets and earlier in the year, we were pleased to announce a distribution agreement with a US rail technology partner on an exclusive basis. This agreement has led to three active pilots for the adoption of our RCM technology with major Class 1 operators in North America (i.e. those defined by freight revenue in excess of \$500M per annum). As alluded to at the half year, the specific adoption rate of Remote Condition Monitoring technology will vary significantly from customer to customer and will be impacted by several factors which Tracsis are not able to impact such as the adoption of Positive Train Control within North America. To this end we have yet to see significant revenue contribution from overseas markets although we continue to believe there is a large and viable market. In the meantime, Tracsis will continue to promote RCM technology both directly and via our partners to seed the US market and management believes this is the best approach that will lead to success in the fullness of time.

### Traffic & Data Services

Now the largest part of the Group by revenue, our rebranded T&DS (Traffics & Data Services) offering saw considerable organic growth in the period with a sharp increase in sales from £12.0m to £14.8m. Macroeconomic conditions in the UK have remained positive, though the increase in revenue was also attributable to management achieving most of the strategic goals that were set out at the beginning of the year. These included further technology innovation (i.e. WiFi, Bluetooth, mobile), proactive account management, and continued professionalisation of our tendering process that has allowed us to bid for and win several very large traffic data capture projects. Outside of the UK, our Australia operations made a great contribution to the Group and traded ahead expectations with revenues of £2.2m (2014: £1.7m).

Post year end, the acquisition of SEP Events and the equity investment into Citi Logik were great additions to our traffic and data capture capabilities. SEP opens up an entirely new market to Tracsis through which obvious cross selling opportunities to the event industry exist whilst the mobile analytics capability of Citi Logik presents an entirely new product offering which has exciting possibilities.

## Chairman & Chief Executive Officer's Report continued

### Dividends

In February 2012, the Board implemented a progressive dividend policy and the Group maintains this approach of growing the dividend in line with growth. To this end, an interim dividend of 0.4p per share for 2014/15 was paid in May 2015. A final dividend of 0.6p per share in respect of 2014/15 is proposed, to take the full year dividend to 1.0p. This represents a 25% increase on the 2014/15 total dividend paid of 0.8p per share.

The dividends remain well covered by the Group's profitability and cash position, which supports the Group's primary focus on growth via acquisition and development of new products and services. The Board is committed to maintaining the progressive dividend policy going forwards provided that the business continues to trade in line with expectation.

### Acquisitions

The Group appraised a number of acquisition opportunities in the year but none passed with the Group's strict investment and diligence criteria in order to complete. The Group incurred costs of circa £95K in relation to our company investigations, research and general due diligence.

Post year end, we were delighted to have completed the acquisition of SEP Limited and make a £1.0m investment into Citi Logik Limited in exchange for a 29.41% equity stake. Both transactions are of strategic importance to Tracsis and met with the approval of our investment committee.

#### SEP Limited

Based in Boroughbridge, North Yorkshire, SEP is a market leading provider of traffic planning and management services for the events industry. The business was formed in 1989, and has a 25 year pedigree which has seen its client list expand to now include many of the UK's largest and most prestigious outdoor entertainment and sporting fixtures.

In terms of capabilities, SEP works with event organisers and 'blue light' services (police, ambulance, fire brigade) to plan and deliver traffic management services for major events. This remit includes significant amounts of preparation, planning and delivery work and revolves around how to maximise the safe and effective mass movement of people and vehicles into and out of a specific location. SEP provides end to end traffic management services and will be involved from the pre-planning consultation stage right through to delivery of traffic management services (road closures and signage) and on the day delivery (parking management, meet and greet, revenue collection).

The Directors believe that SEP is highly complementary to Tracsis' existing Traffic & Data Services division and will offer strong cross-sell and upsell opportunities given the nature of this business offering. Both SEP and Tracsis have worked together in the past and collaborated on major events such as Royal Ascot, T in the Park, The Grand National, and the Wings and Wheels air show.

In the year ended 30 September 2014, SEP generated revenue of £4.0m, an adjusted EBITDA of £0.4m and Profit before Tax of £0.3m. The business employs 30 permanent staff, all of whom will remain with the business post transaction.

The acquisition consideration comprised an initial cash payment of £1.625m and the issue of 55,005 ordinary shares of 0.4p each in Tracsis at an issue price of 454.5p (a total value of £0.25m). Deferred consideration of £0.1m is payable over two years with performance consideration of up to £0.6m is payable based on SEP achieving certain financial targets in the two years post acquisition, giving a total consideration of up to £2.6m.

#### Citi Logik Limited

On 4th September Tracsis completed a strategic investment of up to £1.0m to acquire 29.4% of Citi Logik. Citi Logik was established in 2011, and has developed unique technology and expertise in mobile analytics to improve the understanding of interactions between people, transport and the built environment using large anonymised mobile phone datasets. The business has a global framework agreement with a major FTSE 100 telecommunications business to source mobile data and works with a range of public and private customers on projects ranging from transport analysis to consumer behaviour and travel patterns.

The Directors believe Citi Logik has a highly novel technology platform that will be complementary to the existing Tracsis Traffic & Data Services division. Mobile analytics offers strong cross-sell and upsell opportunities to the Tracsis Group and complements existing survey methods which will expand the market into larger projects of greater size and complexity.

Tracsis will invest up to £1.0m via a combination of equity and debt funding with £0.5m being made immediately with a further £0.5m invested within the next 12 months subject to delivery of agreed business plan milestones. A Tracsis executive will join the Board of Directors of Citi Logik to help grow the business and promote mobile analytics to the Tracsis customer base.

# Chairman & Chief Executive Officer's Report continued

## Overseas growth

Overseas growth continues to be a key part of the Group's future growth strategy and whilst this still remains relatively untapped, significant progress has been made in the past year. In the year under review, the Group generated £2.8m of revenue from overseas customers (2014: £2.1m) which accounted for 11% of Group revenues (2014: 9%). The majority of this (£2.2m) again came from our Australian operations, with the balance of £0.6m again coming from clients in Sweden, Ireland and New Zealand (2014: £0.4m), with a major implementation of COMPASS being delivered in Scandinavia. A small amount of revenue was delivered from our various North American pilots for our Remote Condition Monitoring technology which continues to be an area of focus for the year ahead. Tracsis now employs a full time business development resource for European markets and, as discussed above, has a signed agreement in place with a US partner. Looking ahead, we anticipate our overseas footprint to grow in the coming year albeit at a pace that is hard for us to predict given market forces beyond our control. With that said, management believe the Group is well positioned to take advantage of new customer opportunities as and when these present themselves.

## Summary and Outlook

Tracsis has once again performed well and delivered another year of growth with revenue, adjusted EBITDA and Profit Before Tax being well ahead of the same period last year. The Group has consolidated and built upon the successes of 2014 and made genuine strides forward to put in place the building blocks that allow us to scale our enterprise for the years ahead. The post year-end investments were a welcome addition and shows management's commitment to not only breaking into new and related markets but also our passion for technology and innovation. Tracsis continues to benefit from a strong balance sheet with good cash generation and significant cash reserves that will allow us to realise our growth plans for the future.

The Group's strategy remains unchanged: to deliver shareholder value organically and via acquisition, by creating products and services that solve well recognised problems that are poorly served by existing technology. Our business model remains focussed on niche offerings that typically have high barriers to entry, are sold on a recurring basis under contract, and to a retained customer base that is largely blue chip in nature with limited competitive pressures. This strategy has worked well in the past to generate significant returns for shareholders and we believe it will continue to work well in the future especially given the pace of change within our target markets.

Looking ahead, Tracsis remains well placed to benefit from a growing UK traffic and transport industry and will continue to develop our overseas footprint which we believe remains a significant opportunity for the future. In the meantime we will, as ever, continue to diversify our technology portfolio through working hand in glove with our customers and making the right acquisitions as and when these present themselves.

As always, our thanks go to our supportive clients, shareholders and, above all, our talented team who continue to make Tracsis the business it is.

**Chris Cole, Chairman**

**John McArthur, Chief Executive Officer**

4 November 2015

## Strategic Report

## Risk Management

## Key risks

The board carefully considers the risks facing the Group and endeavour to minimise the impact of those risks. The key risks are as follows:

Description/Potential impact:	Area of Group impacted:	Mitigation:	Change in the year:
<u>Rail industry structure changes</u>			
The present structure and organisation of the rail industry in the UK may be changed in the future, or by a future government, impacting the Group. The Group derives a significant amount of its results from the UK rail industry.	<ol style="list-style-type: none"> <li>1. Software</li> <li>2. Consultancy</li> <li>3. Condition Monitoring</li> <li>4. Traffic &amp; Data Services</li> </ol>	Several of the Group's products and services will still be in demand regardless of the structure of the industry as some of them have a demonstrable value proposition and return on investment case. The Group expects that demand for certain solutions will remain regardless of ownership structure. However, in certain circumstances, there is very little mitigation against politically driven changes or other structural changes.	The Group notes that Network Rail became part of HM Treasury during 2014 which was a change from previous years. The Group also notes the press releases from Network Rail, and associated media coverage regarding its performance. The Group also notes the results of the General Election which took place during the year. The threat of structural changes has existed for some time and is always a risk.
<u>Competition</u>			
The success of the Group may lead to increased competition, especially in Traffic & Data Services where our products and services may be more easily replicated. The Group has a variety of product and service offerings and some are more exposed to more competition than others.	<ol style="list-style-type: none"> <li>1. Traffic &amp; Data Services</li> <li>2. Consultancy</li> <li>3. Condition Monitoring</li> <li>4. Software</li> </ol>	The Group pays close attention to pricing for areas most subject to strong competition and endeavours to make sure it is competitively priced where appropriate. Where possible, the Group tries to ensure its products and services have a clear value proposition and return on investment such that the products and services are embedded within its customer base to reduce the exposure to new entrants.	For the year under review, Traffic & Data Services, the area most heavily exposed to competition, continued to account for around half of the Group's revenues, so this specific risk has remained unchanged, but the generic risks in respect of competition for the whole Group remain the same.
<u>Reduced government spending</u>			
The Group derives revenues directly and indirectly from government commitment to invest and modernise transport infrastructure, especially in the UK and Australia, and would be significantly impacted if these public funding streams were reduced.	<ol style="list-style-type: none"> <li>1. Traffic &amp; Data Services</li> <li>2. Condition Monitoring</li> <li>3. Consultancy</li> <li>4. Software</li> </ol>	As the Group continues to grow and develop more revenue streams and sources of income, the exposure to government spending should in theory reduce. By ensuring that the Group's products and services have a clear return on investment and value proposition, then in the event that reduction in spending does take place, it is hoped that budget and demand for the Group's offerings will remain strong and not subject to reduction.	<p>The results of the recent UK General Election has not led to any noticeable changes to Government spending that has impacted on the Group.</p> <p>However, the UK rail industry, one of the group's key markets, has continued to experience significant investment from the Government and the Group has benefited from this. It is noted that Network Rail became part of HM Treasury in the year.</p>

## Risk Management continued

Description/Potential impact:	Area of Group impacted:	Mitigation:	Change in the year:
<u>Reliance on certain key customers</u>			
<p>The Group has a number of customers but derives a significant amount of business from single customer under a Framework Agreement for its Remote Condition Monitoring technology with no guarantee as to the timing or quantum of any potential future orders. Furthermore, the Group's Traffic &amp; Data Services division operates under a number of Framework Agreements with one large one in particular, and the Consultancy team works extensively with bidders during franchise bid work. Reduced levels of trading with any key customer may adversely impact the Group.</p>	<ol style="list-style-type: none"> <li>1. Condition Monitoring</li> <li>2. Traffic &amp; Data Services</li> <li>3. Consultancy</li> <li>4. Software</li> </ol>	<p>As the Group continues to grow and evolve, the exposure to and reliance on any one customer will reduce. Although the Group will always be exposed to certain key customers, it manages this risk by engaging with the customers proactively to understand their needs and respond to them in terms of changes to products or service offerings to reinforce the relationship to ensure that its products and services are embedded with the customer as best as possible.</p> <p>The Group continues to seek to mitigate its exposure to one customer in Remote Condition Monitoring by expanding overseas and is continuing to target certain geographic markets.</p>	<p>Revenues in respect of the Group's Remote Condition Monitoring were reduced compared to the previous year, which was anticipated to some extent. Revenues from this part of the group accounted for around 12% of Group revenue as opposed to over 25% in the previous financial year. The Traffic &amp; Data Services part of the Group continued to account for over half of overall Group revenues and derived £1.4m of revenue (representing 5% of overall Group revenues) from one particular Framework Agreement.</p>
<u>Attraction and retention of key employees</u>			
<p>The Group has a number of key individuals, though their individual importance has arguably reduced as the Group has grown and the reliance on certain people reduces. However, skills and expertise in our markets are specialist and hard to find or develop, and so further growth of the business may be restricted.</p>	All parts of the Group.	<p>The Group offers competitive remuneration packages, and also offers share schemes to staff including EMI options, in order to attract and retain high calibre employees. Such share schemes are designed such that employees are rewarded in the success of the Group, and are tied in for a period of time. As the Group has grown, the EMI share scheme has been restricted to certain staff but a number of staff continue to hold these options from historic times. As the Group grows, the reliance on and exposure to certain individuals in terms of impact on the overall Group, is reduced.</p>	<p>Unchanged from previous years. As the economy continues to grow then the risk of not being able to recruit or retain key individuals increases given the competition from other potential employers.</p>

## Risk Management continued

Description/Potential impact:	Area of Group impacted:	Mitigation:	Change in the year:
<p><u>Technological changes</u></p> <p>The Group has a variety of product and service offerings which may be under threat should competitors develop rival technology or should better ways of doing things be discovered which make some of the Group's services redundant. This could potentially lead to reduced levels of business.</p>	<ol style="list-style-type: none"> <li>1. Software</li> <li>2. Condition Monitoring</li> <li>3. Traffic &amp; Data Services</li> <li>4. Consultancy</li> </ol>	<p>The Group continues to invest in research and development for its technology products to ensure that they remain up to date and also relevant to the customer base, as it also takes feedback from its clients about what they require from the products. This helps to ensure that they remain relevant. The Group works closely with its customers to deliver the next generation of products. For certain parts of the Group, the business works with technology partners who have specific expertise and can help the Group to maximise its service offerings. Some of the Group's offerings are protected by customer relationships, Framework Agreements, contractual agreements and also significant development costs, which provide protection even if new entrants may come along. The Group made a strategic investment in Citi Logik Limited in September 2015.</p>	<p>This is under constant review as a Technology focussed business and as the group becomes more diverse and larger, each of the Group's product and service offerings are subject to different levels of technology threats at various points in time.</p> <p>The Group made a strategic investment in Citi Logik Limited in September 2015 to attempt to mitigate the risk posted by the use of mobile phone data for transport data collection.</p>
<p><u>Customer pricing pressure</u></p> <p>Price pressure from customers may potentially result in margins being eroded in the fullness of time if lower revenues are achieved than those which were achieved historically.</p>	<ol style="list-style-type: none"> <li>1. Traffic &amp; Data Services</li> <li>2. Software</li> <li>3. Consultancy</li> <li>4. Condition Monitoring</li> </ol>	<p>The Group believes it operates a relatively lean business in order to protect against pricing pressure, and is constantly searching for ways to keep its cost base to a minimum. When reviewing tenders and enquiries, pricing is submitted accordingly on the most favourable commercial terms. The Group is committed to ensuring customer satisfaction and offering a compelling return on investment for its products with a clear value proposition, with the objective that the customer base will continue to take its products due to their quality and business case, with price being of less concern to them.</p>	<p>Traffic &amp; Data Services continues to make up a larger part of the overall Group, and this part of the business is most vulnerable to pricing pressure, and as the element of revenue derived from Traffic &amp; Data Services has remained at around half of Group revenues, the risk has remained unchanged on a Groupwide basis.</p>

## Risk Management continued

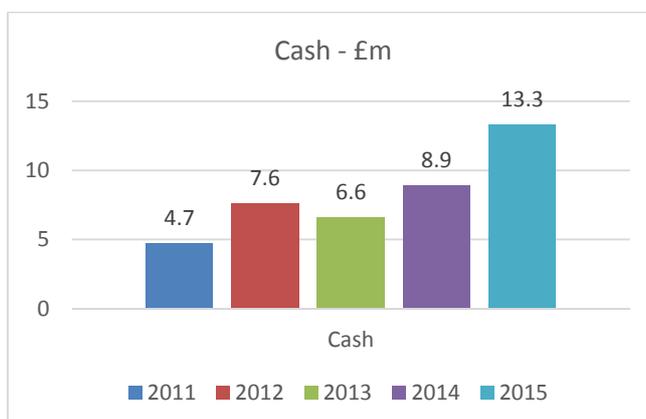
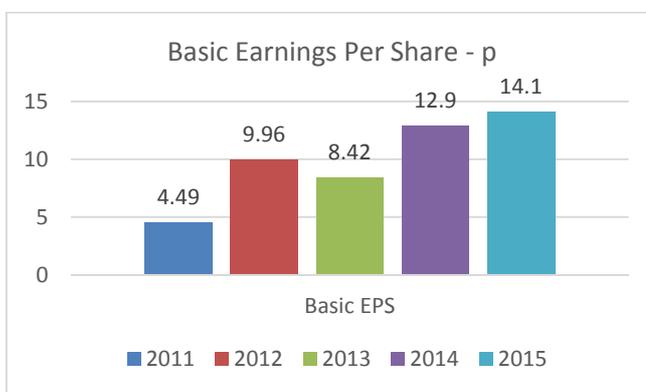
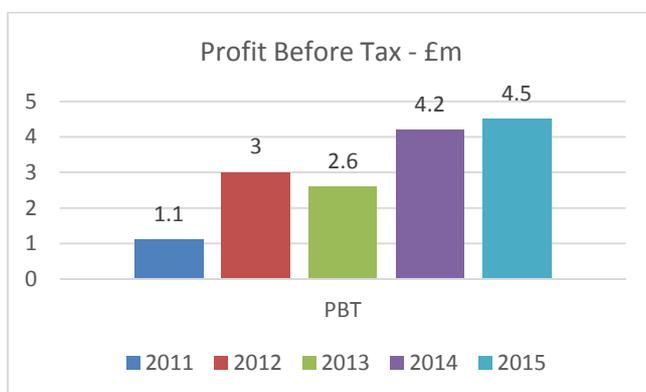
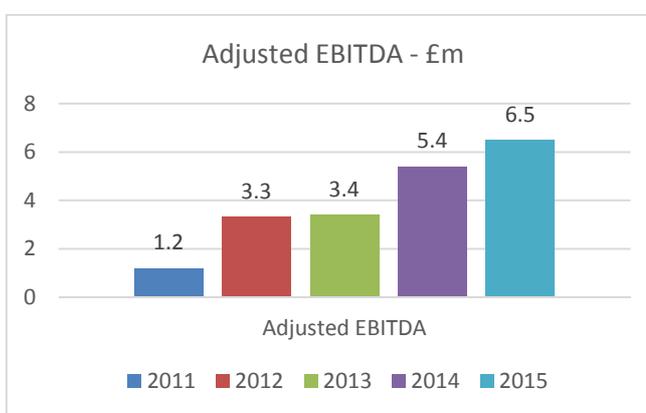
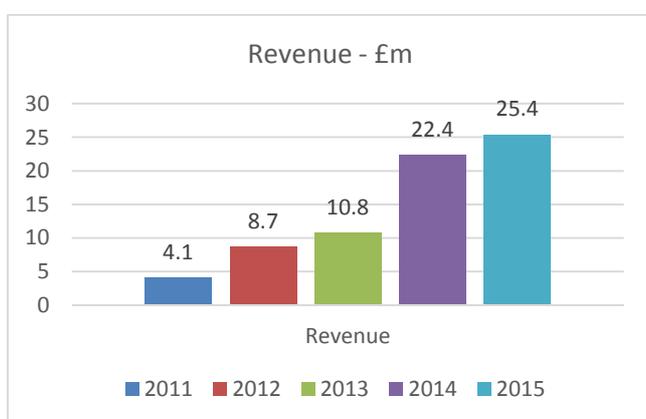
Description/Potential impact:	Area of Group impacted:	Mitigation:	Change in the year:
<p><u>Health &amp; Safety</u></p> <p>The Group has a large number of employees operating at a variety of sites around the country.</p>	<ol style="list-style-type: none"> <li>1. Traffic &amp; Data Services</li> <li>2. Condition Monitoring</li> <li>3. Software &amp; Consultancy</li> </ol>	<p>The Group employs a dedicated Health &amp; Safety Manager for its Traffic &amp; Data Services division. The Remote Condition Monitoring division engages the services of a specialist Health &amp; Safety Advisor. Business unit heads report on Health &amp; safety matters to the Board at every board meeting. Across the Group, there are a number of policies, procedures and method statements to provide mitigation against health &amp; safety risk.</p>	<p>Unchanged from previous years.</p>
<p><u>Brand reputation</u></p> <p>Any adverse publicity concerning the Group, or any of its subsidiary businesses may have an impact on future trading prospects if the Group's brand is adversely affected as a result of this.</p>	<p>All parts of the Group</p>	<p>The Board maintains regular dialogue with Operational staff and Heads of Department and so is made aware of any issues so that corrective action can be taken if necessary.</p>	<p>Unchanged from previous years.</p>

## Strategic Report

## Key Performance Indicators

The Group's main Key Performance Indicators (KPIs) are as follows:

1. Assessed at Group Level:
  - a. Sales Revenue and Profit (Adjusted EBITDA and Profit before Tax) versus budget and prior year
  - b. Sales prospects and forecasts versus budget and prior year
  - c. Cash balances, debtors and working capital requirements
2. Additional Key Performance Indicators specific to certain revenue streams
  - a. Software: Customer renewal rates and new customer take up / product matrix
  - b. Consultancy: Staff utilisation and chargeability, revenue derived from various sources
  - c. Traffic & Data Services: Customer enquiries and conversion rates, working capital tie up in debtors and work in progress, capital expenditure
  - d. Remote Condition Monitoring: Delivery of major orders versus customer requirements, revenue by customer



## Governance

# Board of Directors

### Executive Directors

#### **John McArthur** (40) Chief Executive Officer

John has been the Chief Executive Officer of Tracsis since the formation of the company in January 2004. Prior to this he worked as an investment manager with Techtran Group Limited which specialises in developing the commercial potential of intellectual property developed at the University of Leeds. John also worked for several years with Axiomlab Group plc, a technology venture capital company, having started his career with Arthur Andersen & Co. He holds a first class degree in Management Science from the University of Strathclyde in Glasgow.

#### **Max Cawthra** (37) Chief Financial Officer

Max joined Tracsis in September 2010 as Financial Controller and was promoted to the Board in August 2011. Max is a Chartered Accountant, having trained with Ernst & Young in Leeds. Prior to joining Tracsis, Max spent seven years at Persimmon plc in a variety of roles.

### Non-Executive Directors

#### **Chris Cole** (69) Non-Executive Chairman

Chris is Non-Executive Chairman of WSP Global Inc. (listed on the Toronto Stock Exchange), the successor to WSP Group plc. He is also Non-Executive Chairman of Ashtead Group plc, having previously been a Non-Executive Director, Senior Independent Non-Executive Director of Infinis plc, and Non-Executive Chairman of Redcentric plc.

#### **Charles Winward** (45) Non-Executive Director

Charles was an Executive Director of IP Group plc until April 2014, having joined in 2007. At IP Group, Charles successfully invested in and served as Non-Executive Director at high potential technology companies, including Retroscreen Virology plc and Xeros Technology plc. Previously, Charles was Vice President of Technology Infrastructure at J P Morgan Chase & Co, where he worked in London and New York. Charles is a Chartered Financial Analyst, holds an MBA from the University of California at Berkeley and an undergraduate engineering degree from the University of Bristol.

#### **John Nelson** (68) Non-Executive Director

John Nelson has worked at the top of the rail industry for over thirty years and has been in the sector for 46 in total. Before privatisation he was Managing Director of British Rail's biggest business, Network South East, and prior to that was General Manager of the Eastern Region, then a quarter of the rail network in the UK. Since privatisation he has established 7 new businesses including leading strategic management consultancy First Class Partnerships and the country's first Open Access company, Hull Trains. At one time or another he has chaired the Boards of 13 train operating companies and sat on the Boards of 4 others as a Non Executive Director. He continues to promote new rail ventures and was recently granted an award for outstanding personal contribution to the rail industry at the National Rail Awards 2013.

#### **Sean Lippell** (65) Non-Executive Director

Sean has more than 35 years' experience as a corporate lawyer and was formerly Member of Addleshaw Goddard LLP, a post which he held for 13 years, five of which were as Managing Partner within their corporate division. Sean is currently a director of Acceleris Marketing Communications Limited.

## Governance

# Directors' Report

The directors present their report and the audited financial statements for the year ended 31 July 2015.

Tracsis plc ('the Company') is a public limited company incorporated and domiciled in the United Kingdom and under the Companies Act 2006.

The address of the Company's registered office is Leeds Innovation Centre, 103 Clarendon Road, Leeds, LS2 9DF.

The Company is listed on AIM, part of the London Stock Exchange.

The Group financial statements were authorised for issue by the Board of Directors on 4 November 2015.

Further information on the activities of the business, the Group strategy and an indication of the outlook for the business are presented in the Chairman and Chief Executive Officer's Statement and the Strategy and Business Model sections of the report.

### Financial results

Details of the Group's financial results are set out in the Consolidated Statement of Comprehensive Income, other primary statements and in the Notes to the Consolidated Financial Statements on pages 24 to 57.

### Dividends

The Directors have adopted a progressive dividend policy, subject to growth, profitability and cash position in the future. An interim dividend of 0.40p per share was paid in May 2015. The Directors propose a final dividend of 0.60p per share, subject to shareholder approval at the forthcoming Annual General Meeting. This will give a full year dividend of 1.0p per share.

### Directors

The directors who serve on the Board and on Board Committees during the year are set out on page 13.

Under the Articles of Association of the Company, one third of the directors are subject to retirement by rotation at the forthcoming Annual General Meeting, notice of which accompanies this Report and Accounts. Accordingly John McArthur and Sean Lippell retire by rotation and, being eligible, offer themselves for re-election.

Information in respect of directors' remuneration is given in the Directors' Remuneration Report on pages 17 to 19.

### Directors' shareholdings

Directors' beneficial interests in the shares of the Company, including family interests, at 31 July 2015 and 2014 were as follows:

	31 July 2015		31 July 2014	
	Number of shares	% of issued share capital	Number of shares	% of issued share capital
John McArthur	1,117,433	4.21%	1,117,433	4.26%
Max Cawthra	54,000	0.20%	54,000	0.21%
John Nelson	230,824	0.87%	230,824	0.88%
Charles Winward	86,771	0.33%	86,771	0.33%
Chris Cole	7,000	0.03%	-	-
Sean Lippell	-	-	-	-

## Directors' Report continued

None of the Directors had any interests in the share capital of subsidiaries. Further details of share options held by the directors are set out in the Directors' Remuneration Report.

### Substantial shareholdings

At 3 November 2015, being the latest practicable date prior to the publication of this document, the Company has been advised of the following shareholdings of 3% or more in the issued share capital of Tracsis plc:

	Number of shares	% of issued shares
Techtran Group Limited	2,776,846	10.4%
Unicorn Asset Management	1,860,532	7.0%
The University of Leeds	1,590,000	5.9%
Downing LLP	1,531,696	5.7%
Ennismore Fund Management	1,500,000	5.6%
BlackRock Inc	1,440,986	5.4%
Liontrust Investmet Partners	1,343,778	5.0%
Hargreave Hale Limited	1,262,500	4.7%
Fidelity	1,183,182	4.4%
Investec Asset Management	1,131,648	4.2%
John McArthur	1,117,433	4.2%

1 – Techtran Group Limited is a wholly owned subsidiary of IP Group plc.

### Payment of suppliers

It is the Group's policy to pay suppliers in accordance with the terms and conditions agreed in advance, providing all trading terms and conditions have been met. All payments are made in the ordinary course of business and the Group expects to pay all supplier debts as they become due.

Trade payable days for the Group at 31 July 2015 were 55 days (2014: 57 days).

### Research and development

During the year the Group incurred £437,000 (2014: £393,000) of expenditure on research activity, which has been charged to the Income Statement.

### Financial instruments

Details of the Group's exposure to financial risks are set out in Note 24 to the financial statements.

### Employment policy

It is the policy of the Group to operate a fair employment policy. No employee or job applicant is less favourably treated than another on the grounds of their sex, sexual orientation, age, marital status, religion, race, nationality, ethnic or national origin, colour or disability and all appointments and promotions are determined solely on merit. The Directors encourage employees to be aware of all issues affecting the Group and place considerable emphasis on employees sharing in its success through its employee share option scheme.

### Environment

The Group adheres to all environmental regulations and has, where possible, utilised environmental-sustaining policies such as recycling and waste reduction.

### Significant Contracts

One of the Group's subsidiaries, MPEC Technology Limited, has a significant Framework Agreement with a major railway infrastructure provider, from which it has historically derived a significant amount of business. Tracsis Traffic Data Limited (previously Sky High Technology Limited), another subsidiary company, has a significant Framework Agreement with a major worldwide engineering consultancy company from which it has historically derived a significant amount of business.

## Directors' Report continued

### **Charitable donations**

The Group made charitable donations to various charities amounting to £6,290 during the year (2014: £8,134). No political donations were made.

### **Auditor**

A resolution to appoint KPMG LLP will be proposed at the Annual General Meeting.

### **Provision of information to auditor**

All of the current Directors have taken all steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The Directors are not aware of any relevant audit information of which the auditor is unaware.

By order of the Board

**Max Cawthra**  
**Company Secretary**

4 November 2015

## Governance

# Directors' Remuneration Report

### Unaudited information:

Tracsis plc, as an AIM company, is not required to present a Directors Remuneration Report in accordance with the Combined Code. As part of the Company's commitment to Corporate Governance, we present a voluntary report below.

### Remuneration committee

The Remuneration Committee is described in the Report on Corporate Governance. The remuneration for each Executive Director is determined by the Remuneration Committee, which comprises the Non-Executive Directors. None of the committee members has any personal financial interest, other than as shareholders, in the matters to be decided.

### Service contracts

It is the Group's policy to enter into service contracts or letters of appointment with all Directors. Specific terms are:

	Date of contract	Commencement date	Unexpired term	Notice period
<b>Executive Directors</b>				
John McArthur	21.11.07	01.01.04	Indefinite	6 months
Max Cawthra	20.09.10	20.09.10	Indefinite	3 months
<b>Non-Executive Directors</b>				
John Nelson	21.11.07	21.11.07	Indefinite	3 months
Charles Winward	21.11.07	21.11.07	Indefinite	3 months
Chris Cole	28.04.14	28.04.14	Indefinite	3 months
Sean Lippell	01.11.13	01.11.13	Indefinite	3 months

None of the service contracts or letters of appointment provide for any termination payments.

### Remuneration policy

The remuneration packages for Directors and senior management have been structured so as to fairly compensate them for their contribution to the Group and to encourage them to remain within the Group. The basic components of these packages include:

#### Basic salary and bonus arrangements

Each Director receives an annual salary or Directors' fee for his/her services. These salaries are reviewed annually by the Remuneration Committee and take into account the financial performance of the Group and market conditions. The Group operates a bonus scheme. The Remuneration Committee is entitled to decide whether any bonuses are payable, and if so, what amounts should be granted to Executive Directors.

#### External appointments

The committee recognises that its directors may be invited to become executive or non-executive directors of other companies or to become involved in charitable or public service organisations. As the Committee believes that this can broaden the knowledge and experience of the directors to the benefit of the Group, it is the Group's policy to approve such appointments provided that there is no conflict of interest and the commitment is not excessive. The director concerned can retain the fees relating to any such appointment.

## Directors' Remuneration Report continued

### Pensions and benefits in kind

All staff, Executive Directors and senior management are entitled to participate in the stakeholder pension plan established by the Group. Benefits are provided to certain Executive Directors, including private health cover. The Group does not provide any company cars to any of its Directors. The Group makes employer pension contributions to the pension schemes of J McArthur and M Cawthra at a standard 5% of basic salary, in line with the level of contributions for other members of staff. During the previous financial year, John McArthur elected to take a reduction in basic salary in return for additional employers pension contributions and this was continued in the financial year under review. There was no additional cost to the Group in respect of this arrangement.

### Audited information:

#### Directors' remuneration

Directors' remuneration for the year ended 31 July 2015 is set out below

	Basic salary £000	Pension Conts £'000	Bonus £000	Benefits in kind £000	Total 2015 £000	Total 2014 £000
<b>Executive Directors</b>						
John McArthur	153	40	106	-	299	222
Max Cawthra	120	6	71	-	197	144
	273	46	177	-	496	366
<b>Non-Executive Directors</b>						
John Nelson	23	-	-	-	23	16
Charles Winward	25	-	-	-	25	16
Chris Cole	50	-	-	-	50	13
Sean Lippell	25	-	-	-	25	12
	123	-	-	-	123	57

#### Directors' interests in shares options in the Executive Share Option Schemes

	At 1 August 2014	Granted*	Lapsed	Exercised	At 31 July 2015	Exercise price pence	Date from Which Exercisable	Expiry date
<b>Executive Directors</b>								
John McArthur	100,000	-	-	-	100,000	175p	See note 3	26 Mar 2023
Max Cawthra	160,162	-	-	-	160,162	89p/0.4p	See notes 1 and 2	20 Jun 2022 / 1 Aug 2022
<b>Non-Executive Directors</b>								
John Nelson	25,000	-	-	-	25,000	175p	See note 3	26 Mar 2023
Charles Winward	50,000	-	-	-	50,000	175p	See note 3	26 Mar 2023
Chris Cole	-	-	-	-	-	-	-	-
Sean Lippell	50,000	-	-	-	50,000	185p	See note 4	1 November 2023

\* In accordance with Corporate Governance best practice, the Group will no longer be granting stock options to Non-Executive Directors in lieu of salary. This will ensure objectivity and independence within the Board's decision making process.

## Directors' Remuneration Report continued

### Directors' interests in shares options in the Executive Share Option Schemes (continued)

1 – Exercisable in batches in 6 monthly intervals commencing 6 months from the date of grant (20 June 2012). All options will be fully exercisable 36 months after the date of grant.

2 – Options granted in 2012/13 relate to the Company's LTIP scheme where Max Cawthra exchanged an element of his 2011/12 cash bonus for discounted share options as part of a scheme available to all staff, in return for 10,162 options with an exercise price of 0.4p

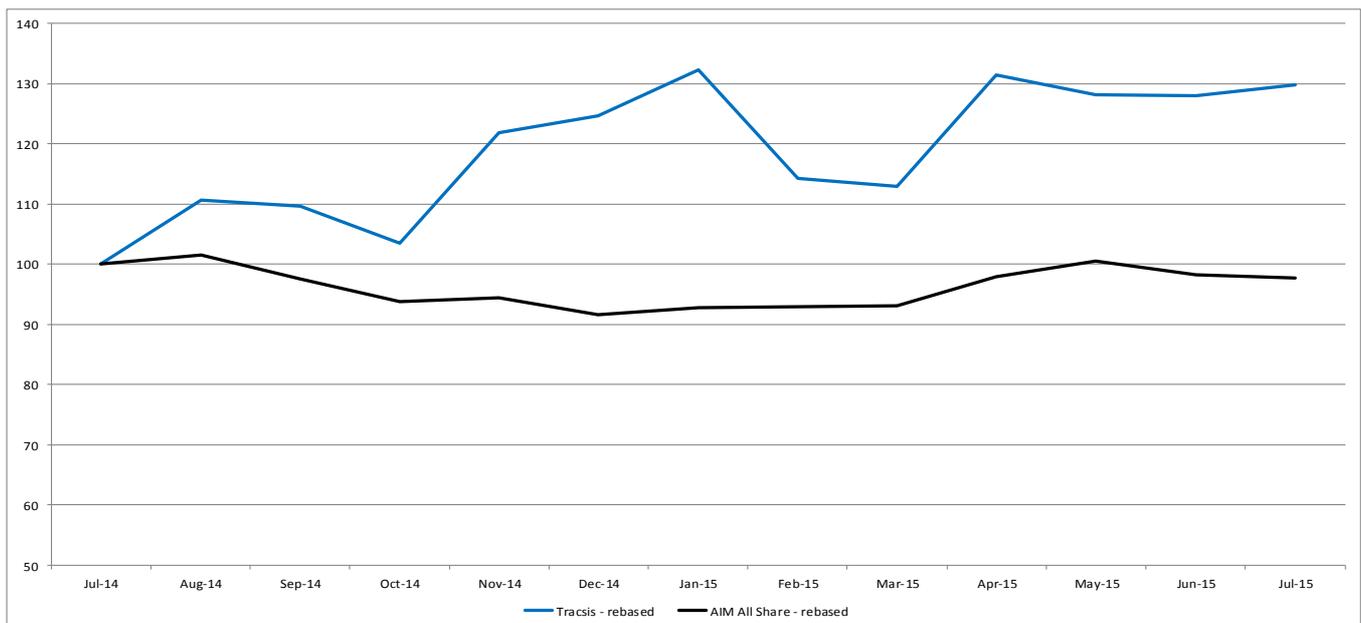
3 – Options granted in 2012/13 are exercisable in batches in 3 monthly intervals commencing 3 months from the date of grant (26 March 2013). All options will be fully exercisable 24 months after the date of grant.

4 – Options granted in 2013/14 are exercisable in batches in 3 monthly intervals commencing 3 months from the date of grant (1 November 2013). All options will be fully exercisable 36 months after the date of grant.

The aggregate amount of pre-tax gains made by directors on the exercise of share options was £Nil (2014: £220,512). No directors received or were due to receive any shares under long term incentive schemes other than under the share options schemes set out above.

### Performance graph

The following graph shows the Company's share price (rebased) compared with the performance of the FTSE AIM all-share index (rebased) for the period from 1 August 2014 to 31 July 2015.



The committee has selected the above indices because they are most relevant for a company of Tracsis's size and sector.

On behalf of the Board

**Sean Lippell**

Chair of the Remuneration Committee

4 November 2015

## Governance

# Corporate Governance

Tracsis plc was listed on AIM on 27 November 2007. The Group recognises the importance of, and is committed to, high standards of corporate governance. Tracsis plc, as an AIM Company, is not required to comply with the current UK Corporate Governance Code, although it has adopted some of the principles as set out below.

### The Board

There are currently 6 Board members, comprising 2 Executive Directors and 4 Non-Executive Directors. The role of the Non-Executive Directors is to bring independent judgement to Board deliberations and decisions. Chris Cole was appointed as a Non-Executive Chairman of the Board during the previous year to oversee Board meetings and field all concerns regarding the executive management of the Group and the performance of the Executive Directors. Sean Lippell was appointed as a non-executive Director during the previous year too. A biography of each Director appears on page 13. The Directors each have diverse backgrounds and a wide range of experience is available to the Group. The Board meets on a monthly basis to review the Group's performance and to review and determine strategies for future growth. The Board has delegated specific responsibilities to its committees as set out below.

Each of the Directors is subject to either an executive services agreement or a letter of appointment as set out on page 17. Tracsis plc's Articles of Association require directors to retire from office and submit themselves for re-election on a one third rotation at each Annual General Meeting. John McArthur and Sean Lippell will be retiring at the Annual General Meeting and submitting themselves for re-election.

### Board meetings and attendance

Board meetings were held on 11 occasions during the year. The table below shows attendance at the meetings whether in person or by telephone. The Company Secretary records attendance at all board meetings including where attendance is by telephone conference.

	<b>Board Meetings (total/poss)</b>	<b>Nomination Committee Meetings</b>	<b>Remuneration Committee Meetings</b>	<b>Audit Committee Meetings</b>
John McArthur	10/11	-	-	-
Max Cawthra	11/11	-	-	-
John Nelson	10/11	-	2/2	2/2
Charles Winward	11/11	-	2/2	2/2
Chris Cole	11/11	-	2/2	2/2
Sean Lippell	10/11	-	2/2	2/2

### Board committees

#### **Nomination Committee**

The Nomination Committee comprises Chris Cole as Chairman, and the Non-Executive Directors. The committee's primary responsibilities are to make recommendations to the Directors on all new appointments of Directors and senior management, interviewing nominees, to take up references and to consider related matters.

#### **Remuneration Committee**

The Remuneration Committee comprises Sean Lippell as Chairman and the Non-Executive Directors. The committee's primary responsibilities are to review the performance of the Executive Directors and to determine the terms and conditions of service of senior management and any Executive Director appointed to the Board (including the remuneration of and grant of options to any such person under any share scheme adopted by the Group).

#### **Audit Committee**

The Audit Committee similarly comprises Charles Winward as Chairman and the Non-Executive Directors. The audit committee's primary responsibilities are to monitor the financial affairs of the Group, to ensure that the financial performance of the Group is properly measured and reported on, and to review reports from the Group's auditor relating to the accounting and internal controls.

## Corporate Governance continued

### Non audit services

In accordance with its policy on non audit services provided by the Group's auditor, the Audit Committee reviews and approves the award of any such work. The Audit Committee refers to the Board for approval of any work comprising non audit services where the fees for such work represent more than 25% of the annual audit fee.

### Auditor independence and conflicts of interest

The Audit Committee continues to evaluate the independence and objectivity of the external auditor and takes into consideration all United Kingdom professional and regulatory requirements. Consideration is given to all relationships between the Group and the audit firm (including in respect of the provision of non audit services). The Audit Committee considers whether, taken as a whole, and having regard to the views, as appropriate, of the external auditor and management, those relationships appear to impair the auditor's judgement or independence. The Audit Committee feels they do not.

### Internal audit

The Audit Committee agrees that there should be no internal audit function of the Group at this time considering the size of the Group and the close involvement of senior management over the Group's accounting systems. However, the Committee will keep this matter under review in the event that circumstances warrant an internal function for the Group in the future.

### Control procedures

The Board approves the annual budget each year. This process allows the Board to identify key performance targets and risks expected during the upcoming year. The Board also considers the agreed budget when reviewing trading updates and considering expenditures throughout the year. Progress against budget is monitored via monthly reporting of actual financial performance against budget and prior year actual results.

The Group has clear authority limits deriving from the list of matters reserved for decision by the Board including capital expenditure approval procedures.

### Relations with shareholders

The Board recognises and understands that it has a fiduciary responsibility to the shareholders. The Chairman's Statement and Chief Executive's Statement include detailed analysis of the Group's performance and future expectations. The Group's website ([www.tracsis.com](http://www.tracsis.com)) allows shareholders access to information, including contact details and the current share price. The Chief Executive is responsible for on-going dialogue and relationships with shareholders, alongside the Chief Financial officer and Chairman.

The Annual General Meeting will be a platform for the Board to communicate with shareholders and the Board welcomes the attendance and participation of all shareholders.

### Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue for the foreseeable future in operational existence and have therefore adopted the going concern basis in preparing the accounts.

### Independence of Non-Executive Directors

The Directors consider all Non-Executive Directors to be independent.

### Board review process

The Board considers the performance of Board members on an informal basis, to ensure that each director has the skills and experience required to perform their duties. The Board is satisfied that all Directors have the appropriate level of skills and experience. During the year, the Board commenced a more formal evaluation process, and this was ongoing at the date of this report.

## Governance

# Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Governance

# Independent Auditor's Report to the Members of Tracsis plc

We have audited the financial statements of Tracsis plc for the year ended 31 July 2015 set out on pages 24 to 64. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### *Respective responsibilities of directors and auditor*

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### *Scope of the audit of the financial statements*

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at: [www.frc.org.uk/auditscopeukprivate..](http://www.frc.org.uk/auditscopeukprivate..)

### *Opinion on financial statements*

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;

- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### *Opinion on other matters prescribed by the Companies Act 2006*

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### *Matters on which we are required to report by exception*

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Morrith (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

4 November 2015

## Financial Statements

## Consolidated Statement of Comprehensive Income

for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
<b>Revenue</b> from continuing operations	6	<b>25,382</b>	22,357
<b>Cost of sales</b>		<b>(9,632)</b>	(9,546)
<b>Gross profit</b>		<b>15,750</b>	12,811
Administrative costs		<b>(11,282)</b>	(8,614)
<b>Adjusted EBITDA*</b>		<b>6,529</b>	5,434
Amortisation of intangible assets	15	<b>(714)</b>	(460)
Depreciation	14	<b>(724)</b>	(431)
Exceptional item: Acquisition costs		-	(31)
Share-based payment charges	8	<b>(623)</b>	(315)
<b>Operating profit</b> from continuing operations	9	<b>4,468</b>	4,197
Finance income	10	<b>31</b>	36
Finance expense	11	<b>(29)</b>	(32)
<b>Profit before tax</b>		<b>4,470</b>	4,201
Taxation	12	<b>(741)</b>	(898)
<b>Profit after tax</b>		<b>3,729</b>	3,303
<b>Other comprehensive income/(expense):</b>			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences – foreign operations		<b>(89)</b>	(38)
<b>Total recognised income for the year</b>		<b>3,640</b>	3,265
<b>Earnings per ordinary share</b>			
Basic	13	<b>14.10p</b>	12.90p
Diluted	13	<b>13.48p</b>	12.44p

\* Earnings before finance income, tax, depreciation, amortisation, exceptional items and share-based payment charges.

## Financial Statements

**Consolidated Balance Sheet** as at 31 July 2015 Company number: 05019106

	Note	2015 £000	2014 £000
<b>Non-current assets</b>			
Property, plant and equipment	14	1,930	1,689
Intangible assets	15	10,010	10,724
Deferred tax assets	20	882	560
		<b>12,822</b>	12,973
<b>Current assets</b>			
Inventories	16	274	263
Trade and other receivables	18	4,273	4,442
Cash and cash equivalents		13,341	8,920
		<b>17,888</b>	13,625
<b>Total assets</b>		<b>30,710</b>	26,598
<b>Non-current liabilities</b>			
Hire-purchase contracts	17	229	133
Deferred tax liabilities	20	1,734	1,948
		<b>1,963</b>	2,081
<b>Current liabilities</b>			
Hire-purchase contracts	17	171	100
Trade and other payables	19	5,697	6,075
Current tax liabilities		502	493
		<b>6,370</b>	6,668
<b>Total liabilities</b>		<b>8,333</b>	8,749
<b>Net assets</b>		<b>22,377</b>	17,849
<b>Equity attributable to equity holders of the company</b>			
Called up share capital	21	106	105
Share premium reserve	22	4,776	4,591
Merger reserve	22	1,846	1,846
Share based payments reserve	22	1,321	698
Retained earnings	22	14,517	10,709
Translation reserve	22	(189)	(100)
<b>Total equity</b>		<b>22,377</b>	17,849

The financial statements on pages 24 to 57 were approved and authorised for issue by the Board of Directors on 4 November 2015 and were signed on its behalf by:

**John McArthur** – Chief Executive Officer

**Max Cawthra** – Chief Financial Officer

The accompanying notes form an integral part of these financial statements

## Financial Statements

## Consolidated Statement of Changes in Equity

	Share Capital £000	Share Premium Reserve £000	Merger Reserve £000	Share- based Payments Reserve £000	Retained Earnings £000	Translation Reserve £000	Total £000
<b>At 1 August 2013</b>	102	4,280	1,472	383	7,034	(62)	13,209
Profit for the year	-	-	-	-	3,303	-	3,303
Other comprehensive income/(expense)	-	-	-	-	-	(38)	(38)
Total comprehensive income	-	-	-	-	3,303	(38)	3,265
Transactions with owners:							
Dividends	-	-	-	-	(191)	-	(191)
Share based payment charges	-	-	-	315	-	-	315
Tax movements in equity	-	-	-	-	563	-	563
Exercise of share options	2	311	-	-	-	-	313
Shares issued as consideration for business combinations	1	-	374	-	-	-	375
<b>At 31 July 2014</b>	<b>105</b>	<b>4,591</b>	<b>1,846</b>	<b>698</b>	<b>10,709</b>	<b>(100)</b>	<b>17,849</b>
<b>At 1 August 2014</b>	105	4,591	1,846	698	10,709	(100)	17,849
Profit for the year	-	-	-	-	3,729	-	3,729
Other comprehensive income/(expense)	-	-	-	-	-	(89)	(89)
Total comprehensive income	-	-	-	-	3,729	(89)	3,640
Transactions with owners:							
Dividends	-	-	-	-	(225)	-	(225)
Share based payment charges	-	-	-	623	-	-	623
Tax movements in equity	-	-	-	-	304	-	304
Exercise of share options	1	185	-	-	-	-	186
<b>At 31 July 2015</b>	<b>106</b>	<b>4,776</b>	<b>1,846</b>	<b>1,321</b>	<b>14,517</b>	<b>(189)</b>	<b>22,377</b>

Details of the nature of each component of equity are set out in Notes 21 and 22.

## Financial Statements

**Consolidated Cash Flow Statement**

for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
<b>Operating activities</b>			
Profit for the year		3,729	3,303
Finance income	10	(31)	(36)
Finance expense	11	29	32
Depreciation	14	724	431
Loss on disposal of plant and equipment		3	-
Amortisation of intangible assets	15	714	460
Income tax charge	12	741	898
Share based payment charges	8	623	315
<b>Operating cash inflow before changes in working capital</b>		<b>6,532</b>	<b>5,403</b>
Movement in inventories		(11)	(27)
Movement in trade and other receivables		169	(94)
Movement in trade and other payables		(378)	1,080
<b>Cash generated from operations</b>		<b>6,312</b>	<b>6,362</b>
Finance income	10	31	36
Finance expense	11	(29)	(32)
Income tax paid		(964)	(649)
<b>Net cash flow from operating activities</b>		<b>5,350</b>	<b>5,717</b>
<b>Investing activities</b>			
Purchase of plant and equipment	14	(697)	(446)
Proceeds from disposal of plant and equipment		59	-
Acquisition of subsidiaries	5	-	(2,886)
<b>Net cash flow used in investing activities</b>		<b>(638)</b>	<b>(3,332)</b>
<b>Financing activities</b>			
Dividends paid	28	(225)	(191)
Proceeds from exercise of share options		186	313
Hire purchase repayments	17	(186)	(120)
<b>Net cash flow (used in)/from financing activities</b>		<b>(225)</b>	<b>2</b>
Net increase in cash and cash equivalents		4,487	2,387
Effect of exchange fluctuations		(66)	(38)
Cash and cash equivalents at the beginning of the year		8,920	6,571
<b>Cash and cash equivalents at the end of the year</b>		<b>13,341</b>	<b>8,920</b>

The accompanying notes form an integral part of these financial statements

## Financial Statements

## Notes to the Consolidated Financial Statements

**1 Reporting entity**

Tracsis plc (the 'Company') is a company incorporated in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 July 2015 comprise the Company and its subsidiaries (together referred to as the 'Group').

**2 Basis of preparation****(a) Statement of compliance**

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and applicable law. The Company has elected to prepare its parent company financial statements in accordance with UK accounting standards and applicable law ('UK GAAP'). These parent company statements appear after the notes to the consolidated financial statements.

**(b) Basis of measurement**

The Accounts have been prepared under the historical cost convention.

**(c) Functional and presentation currency**

These consolidated financial statements are presented in sterling, which is the Group and Company's functional currency. All financial information presented in sterling has been rounded to the nearest thousand.

**(d) Use of estimates and judgements**

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have a significant effect on the Group financial statements and estimates with a significant risk of material adjustment in future years are disclosed in Note 4.

**(e) Accounting developments**

The Group and Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The accounting policies have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise stated.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting period beginning on or after 1 August 2014. The following new standards and amendments to standards are mandatory and have been adopted for the first time for the financial year beginning 1 August 2014:

- IFRS 10 - "Consolidated Financial Statements" and IAS 27 - "Separate Financial Statements". These are part of a new suite of standards on consolidation and related standards, replacing the existing accounting for subsidiaries and making limited amendments in relation to associates.
- IFRS 12 - "Disclosure of Interest in Other Entities". This contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities.
- Amendments to IAS 32 - "Offsetting Financial Assets and Financial Liabilities".
- Amendments to IAS 36 - "Recoverable Amounts Disclosures for Non-Financial Assets".
- IFRIC 21 - "Levies".

These standards have not had a material impact on the Consolidated Financial Statements.

## Notes to the Consolidated Financial Statements continued

### 2 Basis of preparation (continued)

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting period beginning on or after 1 August 2015. The Group has elected not to adopt early these standards which are described below:

- Annual Improvements to IFRSs 2010 - 2012 Cycle
- Annual Improvements to IFRSs 2011 - 2013 Cycle

The above are not expected to have a material impact on the group's reported results.

IFRS 15 - "Revenue From Contracts With Customers" has been published which will be mandatory for the group's accounting period beginning on or after 1 August 2018. The group is still considering the impact of this standard however it is anticipated the impact on the financial position and performance of the group will not be material. In addition, the IASB has indicated that it will issue a new standard on accounting for leases. Under the proposals, lessees would be required to recognise assets and liabilities arising from both operating and finance leases on the balance sheet. The IASB also plans to issue a new standard on insurance contracts. The group will consider the financial impacts of this new standard when finalised. There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

#### (f) Going concern

The Group is debt free and has substantial cash resources. The Board has prepared cash flow forecasts for the forthcoming year based upon assumptions for trading and the requirements for cash resources.

Based upon this analysis, the Board has concluded that the Group has adequate working capital resources and that it is appropriate to use the going concern basis for the preparation of the consolidated financial statements.

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities, except as stated in note 2(e), which addresses changes in accounting policies.

#### (a) Basis of consolidation

The Group's accounting policy with respect to business combinations is set out above.

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. The accounting policies of subsidiary companies have been changed where necessary to align them with the policies adopted by the Group.

The Group entities included in these consolidated financial statements are those listed in note 27.

All intra-group balance and transactions, including unrealised profits arising from intra-group transactions, are eliminated fully on consolidation.

#### (b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable (excluding value added tax and discounts given) derived from the provision of goods and services to customers during the period. The Group derives revenue from software, post contract customer support, sale of hardware & condition monitoring technology, consultancy and professional services, and data capture/passenger counting services.

Revenue from software is derived from the sale of software both as a perpetual and non-cancellable annual licences, the provision of software as a service and the support and hosting services associated with this.

## Notes to the Consolidated Financial Statements continued

### 3 Significant accounting policies (continued)

#### Revenue recognition (continued)

The Group recognises the revenue from the sale of perpetual and non-cancellable annual software licences and specified upgrades upon shipment of the software product or upgrade, when there are no significant vendor obligations remaining, when the fee is fixed and determinable and when collectability is considered probable. Where appropriate the Group provides a reserve for estimated returns under the standard acceptance terms at the time the revenue is recognised. Payment terms are agreed separately with each customer.

Revenue from the provision of Software as a Service under contracts with extended terms which combine software and support services elements are recognised evenly over the period to which the services relate. Customers pay an agreed fee covering a range of periods, for a defined contractual term, and the contracts provide the customer with various rights during the term of the contract. This policy reflects the continuous nature of the transfer of value to the customer.

Revenue capable of being allocated to customer support services is recognised on a straight-line basis over the term of the support contract. Revenue not recognised in the income statement under this policy is classified as deferred income in the balance sheet.

Revenue capable of being allocated to hosting services is recognised on a straight line basis over the term of the hosting contract. Revenue not recognised in the income statement under this policy is classified as deferred income in the balance sheet.

In the case where a single contract involves the combination of any or all of sale of software as a perpetual or non-cancellable annual licence, provision of Software as a Service, support services and hosting services, the amount of consideration is derived from an assessment of the fair value of each of the individual constituent elements of the goods and services provided. The revenue allocated to each element is recognised as outlined above.

Revenue from hardware sales and condition monitoring technology is recognised as the products are shipped to customers. Provision is made for any returns to customers, or credit notes to be issued.

Revenue from consultancy and professional services is recognised when the services have been performed, once the work and value has been agreed with the customer.

In respect of data capture and counting services, revenue is recognised on services not yet billed at the fair value of consideration expected to be receivable to the extent that the work has already been carried out at the year end. Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on work performed and if its receipt is considered probable. Where the outcome of a contract cannot be estimated reliably, contract revenue is only recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

#### (c) Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs. The corresponding liability is recognised within provisions. Items of property, plant and equipment are carried at depreciated cost.

Depreciation is provided on all items of property, plant and equipment so as to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Freehold buildings (excluding land)	–	4% on cost
Computer equipment	–	33 1/3% on cost
Office fixtures and fittings	–	10% - 20% on cost
Motor vehicles	–	25% per annum reducing balance basis

## Notes to the Consolidated Financial Statements continued

### 3 Significant accounting policies (continued)

#### (d) Intangible assets

##### **Goodwill**

Goodwill arising on acquisitions comprises the excess of the fair value of the consideration for investments in subsidiary undertakings over the fair value of the net identifiable assets acquired at the date of acquisition. Adjustments are made to fair values to bring the accounting policies of the acquired businesses into alignment with those of the Company. The costs of integrating and reorganising acquired businesses are charged to the post acquisition income statement. Goodwill arising on acquisitions of subsidiaries is included in intangible assets.

Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the lowest level within the group at which the associated level of goodwill is monitored for management purposes and are not larger than the operating segments determined in accordance with IFRS 8 "Operating Segments".

##### **Business Combinations**

From 1 August 2009 the Group has applied IFRS 3 *Business Combinations* (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

For acquisitions on or after 1 August 2009, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

For acquisitions prior to 1 August 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amounts (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of acquisition.

## Notes to the Consolidated Financial Statements continued

### 3 Significant accounting policies (continued)

#### Intangible assets (continued)

##### Other intangible assets

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Intangible assets, primarily customer relationships and technology related assets, acquired as part of a business combination are capitalised separately from goodwill and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using a straight line method over the estimated useful life of the assets of 10 to 20 years for customer related assets and 10 years for technology related assets.

#### (e) Impairment of non-current assets

Where an indication of impairment is identified, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount (higher of fair value less cost to sell and value in use of an asset) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

#### (f) Research and Development Costs

Expenditure on internally developed products is capitalised as intangible assets if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs would be amortised over the periods the Group expected to benefit from selling the products developed. At present, the Group has not considered that its development expenditure meets the criteria for capitalisation.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the income statement as incurred.

#### (g) Financial instruments

The Group classifies its financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments, net of issue costs.

##### (i) Cash and cash equivalents

Cash and cash equivalents in the balance sheet are included at cost and comprise cash at bank, cash in hand and short term deposits with an original maturity of three months or less.

##### (ii) Trade receivables

Trade receivables do not carry interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

##### (iii) Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

##### (iv) Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

## Notes to the Consolidated Financial Statements continued

### 3 Significant accounting policies (continued)

#### (h) Taxation

The tax on the profit or loss for the year represents current and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying value in the financial statements.

The principal temporary differences arise from depreciation on plant and equipment and share options granted by the Group to employees and directors.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Where the deferred tax asset recognised in respect of share-based payments would give rise to a credit in excess of the related accounting charge at the prevailing tax rate the excess is recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### (i) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders, or in the case of interim dividends, when paid.

#### (j) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### (k) Employee benefits

Wages, salaries, social security contributions, paid annual leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. Where the Group provides long term employee benefits, the cost is accrued to match the rendering of the services by the employees concerned.

## Notes to the Consolidated Financial Statements continued

### 3 Significant accounting policies (continued)

#### (l) Share based payments

The Group issues equity-settled share based payments to certain employees (including directors). Equity-settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, together with a corresponding increase in equity, based upon the Group's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where the terms and conditions of options are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately. However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it was granted, the cancelled and new transactions are treated as if they were a modification of the original transaction as described in the previous paragraph.

#### (m) Retirement benefits

Contributions to defined contribution pension schemes are charged to the income statement in the year to which they relate.

#### (n) Exceptional items

Items which are significant by virtue of their size or nature and/or which are considered non-recurring are classified as exceptional operating items. Such items, which include for example costs relating to acquisitions, amortisation of intangible assets and share based payment charges, are included within the appropriate consolidated income statement category but are highlighted separately. Exceptional operating items are excluded from the profit measures used by the board to monitor underlying performance.

#### (o) Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

#### (p) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. The Company considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents.

#### (q) Operating segments

The Group has determined that, based on its internal reporting framework and management structure, that it has only one reportable segment on a business basis, but has two reportable segments on a geographical basis – UK and Australia. Such determination is necessarily judgemental in its nature and has been determined by management in preparing the financial statements. The level of disclosure of segmental and other information is determined by such assessment. Further details of the considerations made and the resulting disclosures are provided in note 6 to the financial statements.

#### (r) Inventories

Inventories are measured at the lower of cost and net realisable value. Provision is made for slow moving and obsolete inventories on a line by line basis.

## Notes to the Consolidated Financial Statements continued

### 3 Significant accounting policies (continued)

#### (s) Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Pounds Sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences that relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

#### (t) Translation of financial statements of foreign entities

The assets and liabilities of foreign operations are translated using exchange rates at the balance sheet date. The components of shareholders' equity are stated at historical value. An average exchange rate for the period is used to translate the results and cash flows of foreign operations.

Exchange differences arising on translating the results and net assets of foreign operations are taken to the translation reserve in equity until the disposal of the investment. The gain or loss in the income statement on the disposal of foreign operations includes the release of the translation reserve relating to the operation that is being sold.

## Notes to the Consolidated Financial Statements continued

### 4 Critical Accounting Estimates and Judgements

The Group's accounting policies are set out in Note 3.

The Directors consider that the key judgements and estimates made in the preparation of the consolidated financial statements are:

#### *Intangible fixed assets*

On acquisition, the Company calculates the fair value of the net assets acquired. Due to the nature of the companies acquired, this often requires the recognition of additional intangible assets, specifically in relation to technology or customer relationships. The assessment of intangible assets acquired is necessarily judgemental and has been performed using a discounted cash flow model. Significant judgement has been applied in assessing the future revenues to be achieved from that acquisition, the growth rate of that revenue, the associated costs and the discount factor to be applied. In addition, management make estimates as to the useful economic life of the resulting intangible assets, based on their industry expertise. These estimates affect the amount of amortisation recognised in each financial year.

Actual results may vary significantly from expectations in future years. Annual reviews of the Group's intangible fixed assets are carried out, using commercial judgements to determine whether there is any evidence that the useful economic life is no longer appropriate, or whether there are impairment indicators relating to specific intangible assets due to changes in circumstance during the financial year in question.

#### *Revenue recognition*

Certain of the Group's contracts for software licences, software provided as a service, maintenance services and other consultancy projects have a term of more than one year. The Directors assess the fair value of the entire contract attributable to each of the different services and the timing of when revenues should be recognised and this assessment can differ from the legally contracted values. A level of judgement and estimate is required in assessing the level of potential customer returns for certain hardware products. Some of the Group's revenue is derived from data capture/counting services, in which projects can last for an extended period of time. As such, an element of judgement is required when assessing the stage of completion at a period end.

#### *Share-based payments*

The Group has equity settled share-based remuneration schemes for employees. The fair value of share options is estimated by using the Black-Scholes valuation model, on the date of grant based on certain assumptions. These assumptions include, among others, expected volatility, expected life of the options and number of options expected to vest.

## Notes to the Consolidated Financial Statements continued

### 5 Acquisition of subsidiaries - Acquisition in the previous year: Datasys Integration Limited

On 16 May 2014, the Group acquired 100% of the share capital of Datasys Integration Limited and its wholly owned subsidiary Datasys Limited (Datasys). Datasys Integration Limited is a holding company whilst Datasys Limited is a trading company. Based in Manchester, Datasys provides rail management software systems, business applications and hosting services for the majority of the UK's train operating companies. Its client base includes all of the major transport owning groups. The principle activity of the business is software development, sales and licensing with revenues predominantly derived from products that assist train operators capture, report and analyse the root causes of delays and other performance critical information. The vast majority of Datasys revenue comes from long term recurring software leases.

In the period to 31 July 2014 the company contributed revenue of £514,000 and operating profit of £75,000 to the Group's results, net of amortisation of associated intangible assets. If the acquisition had occurred on 1 August 2013, management estimates that consolidated revenue would have been £2,474,000 and consolidated profit for the year would have been £526,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 August 2013.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Pre-acquisition carrying amount	Fair value adjustments	Recognised value on acquisition
	£000	£000	£000
Intangible assets: Technology assets	-	1,660	1,660
Intangible assets: Customer relationships	-	3,098	3,098
Other intangible assets	1,362	(1,362)	-
Tangible fixed assets	49	-	49
Trade and other receivables	483	-	483
Deferred tax asset	110	(110)	-
Trade and other payables and deferred income	(1,463)	-	(1,463)
Income tax receivable /(payable)	27	-	27
Deferred tax liability	-	(952)	(952)
Net identified assets and liabilities	568	2,334	2,902
Goodwill on acquisition			359
			3,261
Consideration paid in cash			4,150
Stamp Duty			23
Net cash acquired			(1,287)
Net cash flow			2,886
Consideration paid: fair value of shares issued			375
Total consideration			3,261

Pre-acquisition carrying amounts were determined based on applicable IFRSs, immediately prior to the acquisition. The values of assets and liabilities recognised on acquisition are the estimated fair values. The goodwill that arose on acquisition can be attributed to a multitude of assets that cannot readily be separately identified for the purposes of fair value accounting.

The fair value adjustments were provisional and arise in accordance with the requirements of IFRSs to recognise intangible assets acquired. In determining the fair values of intangible assets the Group has used discounted cash flow forecasts. The fair value of shares issued was based on market value at the date of issue.

The Group incurred acquisition related costs of £31,000 which were included within administrative expenses.

There were no subsequent adjustments to provisional fair values

## Notes to the Consolidated Financial Statements continued

### 6 Segmental analysis

The Group's revenue and profit was derived from its principal activity which is the solving a variety of data capture, reporting and resource optimisation problems along with the provision of a range of associated professional services.

In accordance with IFRS 8 'Operating Segments', the Group has made the following considerations to arrive at the disclosure made in these financial statements.

IFRS 8 requires consideration of the Chief Operating Decision Maker ("CODM") within the Group. In line with the Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Board of Directors, who review internal monthly management reports, budgets and forecast information as part of this. Accordingly, the Board of Directors are deemed to be the CODM.

Operating segments have then been identified based on the internal reporting information and management structures within the Group. From such information it has been noted that the CODM reviews the business as a single operating segment, receiving internal information on that basis. The management structure and allocation of key resources, such as operational and administrative resources, are arranged on a centralised basis. Due to the small size and low complexity of the business, profitability is not analysed in further detail beyond the operating segment level and is not divided by revenue stream.

Following the acquisition of SEP Limited (SEP) in September 2015, the Board will consider the segments and how it allocates resource following the integration of SEP in the year ending 31 July 2016.

The CODM reviews a split of revenue streams on a monthly basis and, as such, this additional information has been provided below.

	<b>2015</b>	2014
<b>Revenue</b>	<b>£000</b>	£000
Software	<b>5,593</b>	2,798
Consultancy	<b>1,956</b>	1,815
Operations and Planning Systems	<b>7,549</b>	4,613
Traffic & Data Services	<b>14,858</b>	11,987
Remote Condition Monitoring Technology	<b>2,975</b>	5,757
<b>Total revenue</b>	<b>25,382</b>	22,357

#### Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

Information regarding the results of the reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Board of Directors. Segment profit is used to measure performance. There are no material inter-segment transactions, however, when they do occur, pricing between segments is determined on an arm's length basis. Revenues disclosed below materially represent revenues to external customers.

Notes to the Consolidated Financial Statements *continued***6 Segmental analysis (continued)**

	2015		Total £000
	UK & Rest of the World £000	Australia £000	
<b>Revenues</b>			
Total revenue for reportable segments	23,137	2,245	25,382
Consolidated revenue	23,137	2,245	25,382
<b>Profit or loss</b>			
Total profit or loss for reportable segments			
Unallocated amounts:	6,197	332	6,529
Share based payment charge	(623)	-	(623)
Depreciation	(652)	(72)	(724)
Amortisation of intangible assets	(714)	-	(714)
Interest receivable/payable(net)	11	(9)	2
Consolidated profit before tax	4,219	251	4,470

	2014		Total £000
	UK & Rest of the World £000	Australia £000	
<b>Revenues</b>			
Total revenue for reportable segments	20,634	1,723	22,357
Consolidated revenue	20,634	1,723	22,357
<b>Profit or loss</b>			
Total profit or loss for reportable segments	5,295	139	5,434
Unallocated amounts:			
Share based payment charge	(315)	-	(315)
Other exceptional items (net)	(31)	-	(31)
Depreciation	(339)	(92)	(431)
Amortisation of intangible assets	(460)	-	(460)
Interest receivable/payable(net)	17	(13)	4
Consolidated profit before tax	4,167	34	4,201

Notes to the Consolidated Financial Statements *continued***6 Segmental analysis (continued)**

	UK & Rest of the World £'000	2015 Australia £000	Total £000
<b>Assets</b>			
Total assets for reportable segments	18,926	892	19,818
Unallocated assets – intangible assets	10,010	-	10,010
Unallocated assets - deferred tax assets	882	-	882
Consolidated total assets	29,818	892	30,710
<b>Liabilities</b>			
Total liabilities for reportable segments	6,199	400	6,599
Unallocated liabilities – deferred tax	1,734	-	1,734
Consolidated total liabilities	7,933	400	8,333

	UK & Rest of the World £'000	2014 Australia £000	Total £000
<b>Assets</b>			
Total assets for reportable segments	14,686	628	15,314
Unallocated assets – intangible assets	10,724	-	10,724
Unallocated assets - deferred tax assets	560	-	560
Consolidated total assets	25,970	628	26,598
<b>Liabilities</b>			
Total liabilities for reportable segments	6,428	373	6,801
Unallocated liabilities – deferred tax	1,948	-	1,948
Consolidated total liabilities	8,376	373	8,749

**Major customers**

Transactions with the Group's largest customer represent 11% of the Group's total revenues (2014: 25%).

**Geographic split of revenue**

A geographical analysis of revenue is provided below:

	2015 £000	2014 £000
United Kingdom	22,534	20,252
Australia	2,245	1,723
Rest of the World	603	382
Total	25,382	22,357

## Notes to the Consolidated Financial Statements continued

### 7 Employees and personnel costs

	2015 £000	2014 £000
Staff costs:		
Wages and salaries	10,651	8,363
Social security contributions	875	684
Contributions to defined contribution plans	176	135
Equity-settled share based payment transactions	623	315
	<b>12,325</b>	<b>9,497</b>
Average number of employees (including directors) in the year	<b>401</b>	295

The directors' remuneration and share options are detailed within the Directors' Remuneration Report on pages 17 to 19.

### 8 Share based payments

The Group has two share option schemes for all employees (including directors).

#### EMI Share options

Options are exercisable at a price agreed at the date of grant. The vesting period is usually between one and five years. The exercise of options is dependent upon eligible employees meeting performance criteria. The options may not be exercised before the occurrence of a takeover, sale or admission. The options are settled in equity once exercised. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

#### Discounted EMI Share options

In August 2012, the Group implemented a new EMI share option scheme, resulting in discounted EMI share options being issued to staff instead of cash bonuses, provided certain predetermined performance criteria were met for both the overall group, and the part of the business the employee directly works in. This scheme was made available to all staff. Staff are also able to exchange an element of annual salary in return for share options too. The vesting period is three years. The exercise of options is dependent upon eligible employees meeting performance criteria. The options may not be exercised before the occurrence of a takeover, sale or admission. The options are settled in equity once exercised. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

## Notes to the Consolidated Financial Statements continued

### 8 Share based payments (continued)

Details of the schemes are given below:

Grant date	Employees entitled	Number of options	Performance conditions	Exercise price (p)	Earliest exercise date	Expiry date
28/01/2009	3	93,000	Time served	52.0	28/07/2009*	28/01/2019
20/05/2010	2	58,000	Time served	51.5	20/01/2011*	20/05/2020
12/01/2011	1	12,500	Time served	49.5	12/07/2011*	12/01/2021
01/06/2011	1	46,000	Time served	50.0	01/12/2011*	01/06/2021
22/09/2011	4	64,500	Time served	63.5	22/03/2012*	22/09/2021
21/11/2011	1	25,000	Time served	57.5	21/05/2012*	21/11/2021
20/06/2012	1	150,000	Time served	89.0	20/12/2012*	20/06/2022
02/08/2012	23	71,296	Time served	0.40	02/08/2013**	02/08/2022
02/08/2012	7	72,500	Time served	123.0	02/02/2013*	02/08/2022
01/11/2012	1	100,000	Time served	133.5	01/06/2013*	01/11/2022
08/01/2013	7	55,000	Time served	159.0	08/07/2013*	08/01/2023
28/01/2013	1	4,823	Time served	0.40	28/01/2014**	28/01/2023
28/01/2013	1	70,000	Time served	155.5	28/07/2013*	28/01/2023
26/03/2013	3	175,000	Time served	175.0	26/06/2013***	26/03/2023
26/03/2013	1	14,286	Time served	0.40	26/03/2014**	26/03/2023
01/08/2013	11	308,193	Time served	162.5	01/02/2014*	01/08/2023
01/08/2013	35	60,751	Time served	0.40	01/08/2014**	01/08/2023
01/11/2013	1	50,000	Time served	185.0	01/02/2014****	01/11/2023
01/01/2014	2	75,000	Time served	199.5	01/07/2014*	01/01/2024
01/01/2014	2	24,686	Time served	0.40	01/01/2015**	01/01/2024
01/08/2014	68	201,816	Time served	0.40	01/08/2015**	01/08/2024
02/01/2015	1	856	Time served	0.40	02/01/2016**	02/01/2025
<b>Outstanding</b>		<b>1,733,207</b>				

\* Vesting dates for these options are: 10% vest six months after grant date, 15% vest 12 months after grant date, 15% vest 18 months after grant date, 15% vest 24 months after grant date, 20% vest 30 months after grant date, 25% vest 36 months after grant date.

\*\* Vesting dates for these options are linked to time served, and were awarded based on certain performance conditions being met, and in exchange for an annual cash bonus. The full vesting is achieved over a 3 year period, with various forfeit/reductions if exercise takes place sooner

\*\*\* Vesting dates for these options are in equal three month instalments over a 24 month period

\*\*\*\* Vesting dates for these options are in equal three month instalments over a 36 month period

## Notes to the Consolidated Financial Statements continued

### 8 Share based payments (continued)

The number and weighted average exercise price of share options are as follows:

	2015	2015	2014	2014
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at 1 August	1,838,560	106.0p	1,929,016	79.1p
Granted	206,763	0.4p	525,251	142.8p
Forfeited	(5,902)	0.4p	(10,674)	111.8p
Exercised	(306,214)	60.9p	(605,033)	51.8p
Outstanding at 31 July	1,733,207	101.8p	1,838,560	106.0p
Exercisable at 31 July	1,159,321	110.1p	940,026	87.9p

The share options outstanding at the end of the year have a weighted average remaining contractual life of 7 years (2013: 6 years).

#### Fair value assumptions of share based payment charges

The estimate of the fair value of share based awards is calculated using the Black-Scholes option pricing model. The following assumptions were used:

*Options granted in previous years:*

Options granted on	01/06/ 2011	12/01/ 2011	01/08/ 2010	20/05/ 2010	17/03/ 2010	28/01/ 2009	26/11/ 2007
Share price at date of grant	50.0p	49.5p	50.5p	51.5p	50.5p	52p	40p
Exercise price	50.0p	49.5p	50.5p	51.5p	50.5p	52p	40p
Vesting period (years)	3	3	3	3	3	3	1
Expected volatility	15%	15%	15%	15%	15%	15%	40%
Option life (years)	10	10	10	10	10	10	10
Expected life (years)	10	10	10	10	10	10	10
Risk-free rate	3.5%	0.5%	0.5%	0.5%	0.5%	0.5%	4.75%
Expected dividends expressed as a dividend yield	-	-	-	-	-	-	-

*Options granted in previous years (continued):*

Options granted on	22/09/ 2011	21/11/ 2011	01/02/ 2012	20/06/ 2012
Share price at date of grant	63.5p	57.5p	62.0p	89.0p
Exercise price	63.5p	57.5p	62.0p	89.0p
Vesting period (years)	3	3	3	3
Expected volatility	50%	50%	50%	50%
Option life (years)	10	10	10	10
Expected life (years)	10	10	10	10
Risk-free rate	3.5%	3.5%	3.5%	3.5%
Expected dividends expressed as a dividend yield	-	-	-	-

## Notes to the Consolidated Financial Statements continued

### 8 Share based payments (continued)

*Options granted in previous years (continued):*

Options granted on	02/08/ 2012	02/08/ 2012	01/11/ 2012	08/01/ 2013	28/01/ 2013	28/01/ 2013	26/03/ 2013	26/03/ 2013
Share price at date of grant	123.0p	123.0p	133.5p	159.0p	155.5p	155.0p	175.0p	175.0p
Exercise price	0.4p	123.0p	133.5p	159.0p	0.4p	155.0p	175.0p	0.4p
Vesting period (years)	3	3	3	3	3	3	2	3
Expected volatility	20%	20%	20%	20%	20%	20%	20%	20%
Option life (years)	10	10	10	10	10	10	10	10
Expected life (years)	10	10	10	10	10	10	10	10
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Expected dividends expressed as a dividend yield	-	-	-	-	-	-	-	-

*Options granted in previous years (continued):*

Options granted on	01/08/ 2013	01/08/ 2013	01/11/ 2013	01/01/ 2014	01/01/ 2014
Share price at date of grant	162.5p	162.5p	185.0p	199.5p	199.5p
Exercise price	162.5p	0.4p	185.0p	199.5p	0.4p
Vesting period (years)	3	3	3	3	3
Expected volatility	30%	30%	30%	30%	30%
Option life (years)	10	10	10	10	10
Expected life (years)	10	10	10	10	10
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%
Expected dividends expressed as a dividend yield	-	-	-	-	-

*Options granted in the current year:*

Options granted on	01/08/ 2014	02/01/ 2015
Share price at date of grant	330.0p	411.5p
Exercise price	0.4p	0.4p
Vesting period (years)	3	3
Expected volatility	30%	30%
Option life (years)	10	10
Expected life (years)	10	10
Risk-free rate	3.5%	3.5%
Expected dividends expressed as a dividend yield	-	-

The expected volatility is based on the historic volatility of the Company's share price.

### Charge to the income statement

	2015	2014
	£000	£000
Share based payment charges	623	315

## Notes to the Consolidated Financial Statements continued

### 9 Operating profit

Operating profit is stated after charging:	2015	2014
	£000	£000
Depreciation of property, plant and equipment - owned	640	372
Depreciation of property, plant and equipment - leased	84	59
Total depreciation	724	431
Operating lease rentals: Land and buildings	237	210
Operating lease rentals: Plant & machinery	68	59
Total operating lease rentals	305	269
Research and development expenditure expensed as incurred	437	393
	2015	2014
	£000	£000
Auditor's remuneration:		
Audit of these financial statements	16	20
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	38	33
- Other services relating to taxation	3	3
- Other services	32	18

### 10 Finance income

	2015	2014
	£000	£000
Interest received on bank deposits	31	36

### 11 Finance expense

	2015	2014
	£000	£000
Interest on finance lease obligations	29	32

### 12 Taxation

#### 12.1 Recognised in the income statement

	2015	2014
	£000	£000
<b>Current tax expense</b>		
Current year	959	901
Adjustment in respect of prior periods	14	44
Total current year	973	945
<b>Deferred tax</b>		
Current year	(232)	(47)
Adjustment in respect of prior periods	-	-
Total deferred tax	(232)	(47)
<b>Total tax in income statement</b>	741	898

## Notes to the Consolidated Financial Statements continued

### 12 Taxation (continued)

#### Reconciliation of the effective tax rate

	2015	2015	2014	2014
	£000	%	£000	%
Profit before tax for the period	4,470	100.0	4,201	100.0
Expected tax charge based on the standard rate of corporation tax in the UK of 20.66% (2014: 22.33%)	924	20.7	938	22.3
Expenses not deductible for tax purposes	22	0.5	18	0.4
Research and development enhancement	(115)	(2.6)	(110)	(2.5)
Adjustment in respect of prior periods	14	0.3	44	1.0
Other movements	(104)	(2.3)	8	0.2
Total tax expense	741	16.6	898	21.4

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 July 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

The Group also utilised some tax losses in respect of the Datasys acquisition where no deferred tax asset had previously been recognised. These have now been fully utilised.

#### 12.2 Recognised in reserves – direct to equity

	2015	2014
	£000	£000
<b>Deferred Tax</b>		
Deferred tax relating to share based payments	304	563

### 13 Earnings per share

#### Basic earnings per share

The calculation of basic earnings per share at 31 July 2015 was based on the profit attributable to ordinary shareholders of £3,729,000 (2014: £3,303,000) and a weighted average number of ordinary shares in issue of 26,443,000 (2014: 25,608,000), calculated as follows:

#### Weighted average number of ordinary shares

In thousands of shares

	2015	2014
Issued ordinary shares at 1 August	26,258	25,526
Effect of shares issued related to business combinations	-	26
Effect of shares issued for cash	185	56
Weighted average number of shares at 31 July	26,443	25,608

#### Diluted earnings per share

The calculation of diluted earnings per share at 31 July 2015 was based on profit attributable to ordinary shareholders of £3,729,000 (2014: £3,303,000) and a weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive potential ordinary shares of 27,656,000 (2014: 26,559,000):

## Notes to the Consolidated Financial Statements continued

### 13 Earnings per share (continued)

#### Adjusted EPS

In addition, Adjusted Profit EPS is shown below on the grounds that it is a common metric used by the market in monitoring similar businesses. A reconciliation of this figure is provided below:

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Profit attributable to ordinary shareholders	<b>3,729</b>	3,303
Amortisation of intangible assets	<b>714</b>	460
Share-based payment charges	<b>623</b>	315
Exceptional items: Acquisition costs	-	31
Adjusted profit for EPS purposes	<b>5,066</b>	4,109

#### Weighted average number of ordinary shares

In thousands of shares

For the purposes of calculating Basic earnings per share	<b>26,443</b>	25,608
Adjustment for the effects of all dilutive potential ordinary shares	<b>27,656</b>	26,559
Basic adjusted earnings per share	<b>19.16p</b>	16.05p
Diluted adjusted earnings per share	<b>18.32p</b>	15.47p

Notes to the Consolidated Financial Statements *continued***14 Property, plant and equipment**

	Freehold Land & Buildings £000	Motor Vehicles £000	Computer equipment £000	Plant, machinery, fixtures & fittings £000	<b>Total £000</b>
<b>Cost</b>					
At 1 August 2013	400	730	756	1,226	3,112
Additions	-	55	207	209	471
Arising on acquisition	-	-	243	61	304
Exchange rate variances	-	(14)	(34)	(9)	(57)
At 31 July 2014	400	771	1,172	1,487	3,830
Additions	-	367	292	391	1,050
Disposals	-	(156)	(13)	(70)	(239)
Exchange rate variances	-	(37)	(67)	(17)	(121)
At 31 July 2015	400	945	1,384	1,791	4,520
<b>Depreciation</b>					
At 1 August 2013	30	377	537	568	1,512
Charge for the year	12	117	151	151	431
Arising on acquisition	-	-	225	30	255
Exchange rate variances	-	(14)	(34)	(9)	(57)
At 31 July 2014	42	480	879	740	2,141
Charge for the year	12	104	211	397	724
Disposals	-	(106)	(6)	(65)	(177)
Exchange rate variances	-	(29)	(54)	(15)	(98)
At 31 July 2015	54	449	1,030	1,057	2,590
<b>Net book value</b>					
At 1 August 2013	370	353	219	658	1,600
At 31 July 2014	358	291	293	747	1,689
<b>At 31 July 2015</b>	<b>346</b>	<b>496</b>	<b>354</b>	<b>734</b>	<b>1,930</b>

The net book value of assets held under finance lease obligations is £426,000 (2014: £194,000).

## Notes to the Consolidated Financial Statements continued

### 15 Intangible assets

	Goodwill £000	Customer related intangibles £000	Technology related intangibles £000	Total £000
<b>Cost</b>				
At 1 August 2013	1,509	4,332	914	6,755
Arising on acquisition	359	3,098	1,660	5,117
At 31 July 2014	1,868	7,430	2,574	11,872
Arising on acquisition	-	-	-	-
At 31 July 2015	1,868	7,430	2,574	11,872
<b>Amortisation and impairment</b>				
At 1 August 2013	-	456	232	688
Charge for the year	-	333	127	460
At 31 July 2014	-	789	359	1,148
Charge for the year	-	456	258	714
At 31 July 2015	-	1,245	617	1,862
<b>Carrying amounts</b>				
At 1 August 2013	1,509	3,876	682	6,067
At 31 July 2014	1,868	6,641	2,215	10,724
<b>At 31 July 2015</b>	<b>1,868</b>	<b>6,185</b>	<b>1,957</b>	<b>10,010</b>

The following carrying values of intangible assets arising from the acquisitions of Tracsis Rail Consultancy Limited (previously RWA Rail Limited) in August 2008, Tracsis Passenger Counts Limited (previously Peeping Limited) in July 2009, Safety Information Systems Limited in December 2009, MPEC Technology Limited in June 2011, Tracsis Traffic Data Limited (previously Sky High Technology Limited and Sky High plc) in April 2013, and Datasys Integration Limited in May 2014 are analysed as follows:

	Goodwill		Customer related intangibles		Technology related intangibles	
	2015	2014	2015	2014	2015	2014
	£000	£000	£000	£000	£000	£000
Tracsis Rail Consultancy Limited (previously) RWA Rail Limited	671	671	496	531	-	-
Tracsis Passenger Counts Limited (previously Peeping Limited)	43	43	258	277	-	-
Safety Information Systems Limited	136	136	195	209	100	123
MPEC Technology Limited	269	269	1,011	1,075	398	467
Tracsis Traffic Data Limited (previously Sky High Technology Limited and Sky High plc)	390	390	1,314	1,484	-	-
Datasys Integration Limited	359	359	2,911	3,065	1,459	1,625
	<b>1,868</b>	1,868	<b>6,185</b>	6,641	<b>1,957</b>	2,215

The amortisation charge is recognised in the following line items in the income statement:

	2015 £000	2014 £000
Administrative expenses	714	460

Customer related intangibles and technology related intangibles are amortised over their useful life, which is the period during which they are expected to generate revenue.

## Notes to the Consolidated Financial Statements continued

### 15 Intangible assets (continued)

Goodwill acquired in a business combination is allocated to cash generating units (CGUs) and is tested for impairment on an annual basis, or more frequently if there are indications that the carrying value might be impaired, by comparing the carrying amount against the discounted cash flow projections of the CGU. CGUs are not larger than the operating segments of the Group.

The carrying value of the goodwill has been determined based on value in use calculations, covering detailed budgets and three year forecasts, followed by an extrapolation of expected cash flows at growth rates given below. The growth rates reflect prudent long term growth rates for the services provided by the CGU. Gross and operating margins have been assumed to remain constant based on budget and past experience.

	2015	2014
Long term growth rate	1.0%	1.0%
Discount rate	10-12%	10%

The directors' key assumptions relate to revenue growth and the discount rate, however, carrying value is not significantly sensitive to reasonably foreseeable changes in either assumption. No impairment charges in respect of goodwill arose during the year.

### 16 Inventories

	2015	2014
	£000	£000
Raw materials & work in progress	100	184
Finished goods	174	79
	<b>274</b>	<b>263</b>

The value of inventories expensed in the period in cost of sales was £759,000 (2014: £2,034,000). Provision is made for slow moving and obsolete stock on a line by line basis. The value of any write downs/reversals in the current and previous period was not material.

### 17 Hire purchase contracts

	2015	2014
	£000	£000
Due within one year	171	100
Due after more than one year:		
Between one and two years	135	79
Between two and three years	72	32
Between three and four years	7	22
Between four and five years	15	-
Total due after more than one year	229	133
Total hire purchase contract obligation	<b>400</b>	<b>233</b>

A reconciliation of the obligation is stated below.

	2015	2014
	£000	£000
At start of the year	233	328
New hire purchase contracts	353	25
Repayments	(186)	(120)
At end of the year	<b>400</b>	<b>233</b>

## Notes to the Consolidated Financial Statements continued

### 17 Hire purchase contracts (continued)

	Carrying amount £000	Contractual cash flows £000	Less than one year £000	One to Two years £000	Two to Five years £000
Hire Purchase Obligations					
<b>2015</b>	<b>400</b>	<b>433</b>	<b>191</b>	<b>145</b>	<b>97</b>
2014	233	255	114	84	57

### 18 Trade and other receivables

	2015 £000	2014 £000
Trade receivables	<b>2,864</b>	3,165
Other receivables and prepayments	<b>305</b>	387
Amounts recoverable on contracts	<b>1,104</b>	890
	<b>4,273</b>	4,442

A breakdown of trade receivables between the United Kingdom and Australia operations is as follows:

	2015 £000	2014 £000
United Kingdom	<b>2,466</b>	2,970
Australia	<b>398</b>	195
	<b>2,864</b>	3,165

Although the Group has a large number of customers, there is a concentration of risk in that the Group derives a large amount of revenue from one major customer, though the credit worthiness of this customer is unquestionably strong. In other cases, where one customer represents a significant proportion of overall revenue, the relationship consists of a large number of small contracts which are not considered to be interdependent. The directors do not consider that any of the amounts from the sale of goods to be irrecoverable, hence no provision has been made for bad or doubtful debts in either the current or preceding year.

The fair values of trade and other receivables are the same as their book values.

Amounts recoverable on contracts relate to part completed projects related to the Group's transportation data collection operations.

Trade receivables that are past due are considered individually for impairment. The Group uses a monthly ageing profile as an indicator when considering impairment. The summarised ageing analysis of trade receivables past due but considered to be not impaired is as follows:

	2015 £000	2014 £000
Under 30 days overdue	<b>585</b>	941
Between 30 and 60 days overdue	<b>268</b>	282
Over 60 days overdue	<b>58</b>	66
	<b>911</b>	1,289

The other classes within trade and other receivables do not contain impaired assets. The Group did not incur any material impairment losses on trade receivables in the period. The ageing profile above takes account of the enlarged Group, and the fact that the payment terms/collection period for an enlarged Group with a wide variety of customers has evolved.

## Notes to the Consolidated Financial Statements continued

### 19 Trade and other payables

	2015 £000	2014 £000
Trade payables	646	760
Other tax and social security	1,000	1,391
Deferred income	1,930	1,731
Accruals and other payables	2,121	2,193
	<b>5,697</b>	<b>6,075</b>

The Directors consider that the carrying amounts of trade payables approximates to their fair value.

Deferred income relates to sales invoiced in advance of the completion of post contract customer support and hosting obligations, instances where the Group has raised sales invoices in advance of installation and acceptance of certain software sales, and also for software licences covering several accounting periods. Support, and revenue from Software as a Service will be recognised in the income statement over the remaining period of the contract, with other deferred income being recognised when the successful installation takes place, or over the period of time for which multiyear deals relate to.

### 20 Deferred tax

Non-current liability/(asset)	Intangible	Accelerated	Share	Other	Total
	assets	capital	options		
	£000	allowances	£000	£000	£000
At 31 July 2013	956	79	11	-	1,046
Arising on acquisition	952	-	-	-	952
(Credit)/charge to income statement	(96)	27	(8)	76	(1)
Change in tax rates	(41)	(5)	-	-	(46)
Recognised in equity	-	-	(563)	-	(563)
At 31 July 2014	1,771	101	(560)	76	1,388
(Credit)/charge to income statement	(142)	4	(18)	(76)	(232)
Recognised in equity	-	-	(304)	-	(304)
<b>At 31 July 2015</b>	<b>1,629</b>	<b>105</b>	<b>(882)</b>	<b>-</b>	<b>852</b>

The closing deferred tax asset and liability has been calculated at 20% as at 31 July 2015 (2014: 20%).

This is presented on the Balance Sheet as follows within non-current assets and liabilities (2014 figures re-classified)

	2015 £000	2014 £000
Deferred tax assets	(882)	(560)
Deferred tax liabilities	1,734	1,948
Net liability per table above	<b>852</b>	<b>1,388</b>

### 21 Share capital

	2015 Number	2015 £	2014 Number	2014 £
<b>Allotted, called up and fully paid:</b>				
Ordinary shares of 0.4p each	<b>26,564,328</b>	<b>106,257</b>	26,258,114	105,032

The following share transactions have taken place during the year ended 31 July 2015:

306,214 share options under the Group's share options scheme were exercised at various points in the year.

## Notes to the Consolidated Financial Statements continued

### 21 Share capital (continued)

The movement in share capital in the year summarised as follows:

	2015 Number	2014 Number
At start of the year	26,258,114	25,526,306
Issued as consideration for business combinations	-	126,775
Exercise of share options	306,214	605,033
At end of the year	26,564,328	26,258,114

### 22 Capital and reserves

The following describes the nature and purpose of each reserve:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Merger reserve	Amounts arising from the premium of the fair value of shares issued over their nominal value, in respect of certain business combinations
Share based payments reserve	Amounts arising from the requirement to expense the fair value of share options in accordance with IFRS2 Share-based Payments
Retained earnings	Cumulative net profits recognised in the income statement
Translation reserve	Translation differences on retranslation of Australian subsidiary

### 23 Operating leases

#### Leases as lessee

Total outstanding commitments for future minimum lease payments under non-cancellable operating leases are set out below:

#### Land and buildings

The Group leases several office facilities in the United Kingdom and Australia under operating leases. During the year £305,000 was recognised as an expense in the income statement in respect of operating leases (2014: £269,000).

	2015 £'000	2014 £'000
Expiring within one year	12	59
Expiring in the second to fifth years	367	195
	379	254

#### Plant and machinery

	2015 £'000	2014 £'000
Expiring within one year	21	24
Expiring in the second to fifth years	130	225
	151	249

## Notes to the Consolidated Financial Statements continued

### 24 Financial risk management

The principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial instruments, such as trade receivables and payables that arise directly from its operations. The Group has taken advantage of the exemption to exclude short term debtors and creditors from the disclosures given below. The fair values of the financial instruments are equal to their year end carrying values and represent the maximum exposure.

Financial assets	2015			2014		
	Fixed	Floating	Total	Fixed	Floating	Total
	Rate	Rate		Rate	Rate	
£000	£000	£000	£000	£000	£000	
Cash and short term deposits	1,000	12,341	13,341	1,500	7,420	8,920

The Group had no financial liabilities or derivative contracts in either the current or previous year. It is policy that no trading in financial instruments should be undertaken. The surplus cash balances have been invested in deposit accounts.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade receivables;
- cash at bank;
- trade and other payables.

The main risks arising from the financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

#### Fair value or cash flow interest rate risk

Currently the Group has surplus cash balances so does not have a borrowing requirement. Surplus cash is put on short term deposit with high credit worthy banking institutions where appropriate at either fixed or floating rates. The Board monitors the financial markets and the Group's future cash requirements to ensure that this policy is exercised in the Group's best interests.

At 31 July 2015, the Group had fixed-rate deposits in place as follows:

- £500,000 placed on a fixed 3 month deposit at an interest rate of 0.55%
- £500,000 placed on a fixed 3 month deposit at an interest rate of 0.55%

#### Credit risk

The Group monitors credit risk closely and considers that its current policies of credit checks meet its objectives of managing exposure to risk. The Group has no significant concentration of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event that other parties fail to perform their obligations under financial instruments.

#### Liquidity risk

Liquidity risk is managed on a day to day basis. Facilities are agreed at appropriate levels having regard to the Group's forecast operating cash flows and future capital expenditures.

#### Capital disclosures

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and;
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of cash and cash equivalents, and equity attributable to shareholders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity and Notes 13, 21 and 22. The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## Notes to the Consolidated Financial Statements continued

### 24 Financial risk management (continued)

#### Sensitivity analysis

In managing interest rates the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the long term, permanent changes in interest rates would have an impact on consolidated earnings. The Directors consider that a change of 100 basis points in interest rates at any period end would not have a material impact on cash flows.

#### Market risks

The Directors consider that the Group has no significant exposure to market risks with respect to its financial instruments.

#### Foreign currency risk

The Group has an Australian subsidiary which is owned by Tracsis Traffic Data Limited. Balances and transactions in Australian dollars are converted into Sterling and hence the group is exposed to an element of currency risk/fluctuation.

### 25 Related Party Transactions

The following transactions took place during the year with other related parties:

	Purchase of		Amounts owed to	
	goods and services		related parties	
	2015	2014	2015	2014
	£000	£000	£000	£000
Leeds Innovation Centre Limited	75	71	7	6

Leeds Innovation Centre Limited is a company which is connected to The University of Leeds. Tracsis plc rents its office accommodation, along with related office services, from this company.

	Sale of		Amounts owed by	
	goods and services		related parties	
	2015	2014	2015	2014
	£000	£000	£000	£000
WSP Group	83	41	13	36
Parsons Brinckerhoff	1,404	-	506	-

WSP Group (WSP) is a company which is connected to Chris Cole who serves as non-executive Chairman of Tracsis plc and also of WSP. Sales to WSP took place at arm's length commercial rates, and were not connected to Mr Cole's position at WSP as the Group traded with WSP prior to his appointment at Tracsis in April 2014.

On 31 October 2014, WSP completed the acquisition of Parsons Brinckerhoff (PB) which made PB a related party of the Group from this date. One of the Group's subsidiary companies, Tracsis Traffic Data Limited, previously Sky High Technology Limited, traded extensively with PB prior to its acquisition by WSP as it carried out an agreement for a significant piece of data collection work for a UK transport agency which was entered into in May 2014. All transactions with PB took place at arm's length commercial rates, and were not connected to Mr Cole's position at WSP.

Disclosures in respect of sales to WSP and Parsons Brinckerhoff as stated above have been made on the following basis:

2014: Sales to WSP from 28 April 2014 being the date Mr Cole was appointed as a Director of Tracsis and WSP therefore became a related party to the Group

2015: Sales to WSP since 1 August 2014, as WSP was a related party from this date, and sales to PB since 1 November 2014 as this is the date WSP acquired PB and therefore the date PB became a related party to the Group

#### Terms and conditions of transactions with related parties

The purchases from related parties are made at normal market prices. Outstanding balances that relate to trading balances are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

## Notes to the Consolidated Financial Statements continued

### 25 Related Party Transactions (continued)

#### Compensation of key management personnel of the Group

The Group considers the directors to be its key management personnel. Full details of their compensation are set out in the Directors' Remuneration Report.

### 26 Employee benefits

The Group makes contributions to defined contribution pension schemes for its employees. The pension cost charge for the year comprises contributions payable by the Group to the schemes and other personal pension plans and amounted to £176,000 (2014: £135,000). There were outstanding contributions at 31 July 2015 of £19,000 (2014: £17,000).

### 27 Group entities

Below are the subsidiary undertakings which contribute to the Group results:

Held by Tracsis plc	Principal activity	Country of incorporation	% ordinary share capital owned
Tracsis Rail Consultancy Limited (previously RWA Rail Limited)	Rail industry consultancy	England and Wales	100%
Tracsis Passenger Counts Limited (previously Peeping Limited)	Rail industry consultancy	England and Wales	100%
Safety Information Systems Limited	Software and consultancy	England and Wales	100%
MPEC Technology Limited	Rail industry hardware & Datalogging	England and Wales	100%
Tracsis Traffic Data Limited (previously Sky High Technology Limited and Sky High plc)	Transportation data collection	England and Wales	100%
Datasys Integration Limited (owns 100% of Datasys Limited)	Holding Company	England and Wales	100%
Datasys Limited	Rail industry software	England and Wales	100%
Tracsis Traffic Data Australia Pty Limited (previously Sky High Traffic Data Australia Pty Limited)	Transportation data collection	Australia	100%
S-H TrafficData Solutions Private Limited	Data processing	India	100%
Sky High Data Capture Limited	Dormant	England and Wales	100%
Sky High Traffic Data Limited	Dormant	England and Wales	100%
The Web Factory Birmingham Limited	Dormant	England and Wales	100%
Forsyth Whitehead & Associates Limited	Dormant	England and Wales	100%
Sky High Technology (Scotland) Limited	Dormant	England and Wales	100%
Count on Us Traffic Limited	Dormant	England and Wales	100%
Burra Burra Distribution Limited	Dormant	England and Wales	100%
Sky High NCS Limited	Dormant	England and Wales	100%
Halifax Computer Services Limited	Dormant	England and Wales	100%
Skyhightraffic Limited	Dormant	England and Wales	100%
The Traffic Survey Company Limited	Dormant	England and Wales	100%
The People Counting Company Limited	Dormant	England and Wales	100%
Myratech.net Limited	Dormant	England and Wales	100%
Footfall Verification Limited	Dormant	England and Wales	100%

## Notes to the Consolidated Financial Statements continued

### 28 Dividends

The Group introduced a progressive dividend policy during previous years. The cash cost of the dividend payments is shown below:

	<b>2015</b>	2014
	<b>£000</b>	£000
Final dividend for 2012/13 of 0.40p per share paid	-	102
Interim dividend for 2013/14 of 0.35p per share paid	-	89
Final dividend for 2013/14 of 0.45p per share paid	<b>119</b>	-
Interim dividend for 2014/15 of 0.40p per share paid	<b>106</b>	-
<b>Total dividends paid</b>	<b>225</b>	191

The dividends paid or proposed in respect of each financial year is as follows:

	<b>2015</b>	2014	2013	2012
	<b>£000</b>	£000	£000	£000
Interim dividend for 2011/12 of 0.20p per share paid	-	-	-	48
Final dividend for 2011/12 of 0.35p per share paid	-	-	-	87
Interim dividend for 2012/13 of 0.30p per share paid	-	-	75	-
Final dividend for 2012/13 of 0.40p per share paid	-	-	102	-
Interim dividend for 2013/14 of 0.35p per share paid	-	89	-	-
Final dividend for 2013/14 of 0.45p per share paid	-	119	-	-
Interim dividend for 2014/15 of 0.40p per share paid	<b>106</b>	-	-	-
Final dividend for 2014/15 of 0.60p per share proposed	<b>159</b>	-	-	-

The dividend will be payable on 12 February 2016 to shareholders on the Register at 29 January 2016.

### 29 Events after the Balance Sheet date

#### a) Strategic Investment in Citi Logik Limited

On 4 September 2015, the Group made a strategic investment to acquire 29.4% of Citi Logik Limited (Citi Logik). Under the terms of the agreement, the Group will invest up to £1.0m via a combination of equity and debt funding in return for 29.4% of the issued share capital in Citi Logik. Investment of £0.5m (£0.375m equity and £0.125m debt) was made immediately with a further £0.5m to be invested on the same basis, within the 12 months of completion, subject to delivery of agreed business plan milestones. A Tracsis executive will join the Board of Directors of Citi Logik to help grow the business and promote mobile analytics to the Tracsis customer base.

#### b) Acquisition of SEP Limited

On 25th September 2015, the Group acquired the entire issued share capital of SEP Limited and SEP Events Limited ("SEP"), a company which provides traffic planning and management services for the events industry. The consideration comprised an initial cash payment of £1.625m and the issue of 55,005 ordinary shares of 0.4p at an issue price of 454.5p (total value of £0.25m). Deferred consideration of £0.1m is payable over two years along with performance consideration of up to £0.6m, based on SEP achieving certain financial targets in the two years post acquisition, giving a total potential maximum consideration of up to £2.6m. At the date of signing of these accounts, the Group was in the process of completing a fair value exercise to identify assets and liabilities acquired, with the results and impact expected to be incorporated into the Group's interim report for the six months ending 31 January 2016.

## Financial Statements

## Company Balance Sheet (presented under UK GAAP)

as at 31 July 2015

Company number: 05019106

	Note	2015 £000	2014 £000
<b>Fixed assets</b>			
Tangible fixed assets	31	349	359
Investments	32	14,093	14,093
<b>Current assets</b>			
Debtors	33	882	1,261
Cash at bank and in hand		9,182	5,294
		10,064	6,555
Creditors: amounts falling due within one year	34	(8,446)	(7,226)
<b>Net current assets/(liabilities)</b>		<b>1,618</b>	<b>(671)</b>
<b>Total assets less current liabilities</b>			
		<b>16,060</b>	<b>13,781</b>
Provisions for liabilities and charges	35	-	(6)
<b>Net assets</b>		<b>16,060</b>	<b>13,775</b>
<b>Capital and reserves</b>			
Called up share capital	36	106	105
Share premium reserve	37	4,776	4,591
Merger reserve	37	1,846	1,846
Share based payments reserve	37	1,321	698
Retained earnings	37	8,011	6,535
<b>Shareholders' funds</b>		<b>16,060</b>	<b>13,775</b>

The financial statements were approved and authorised for issue by the Board of Directors on 4 November 2015 and were signed on its behalf by:

**John McArthur** – Chief Executive Officer

**Max Cawthra** – Chief Financial Officer

## Financial Statements

# Notes to the Company Balance Sheet

### 30 Company accounting policies (UK GAAP)

#### Basis of preparation

As used in the financial statements and related notes, the term 'Company' refers to Tracsis plc. The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by the Act, the separate financial statements have been prepared in accordance with UK Generally Accepted Accounting Principles ('UK GAAP').

These accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

A separate profit and loss account dealing with the results of the company only has not been presented, as permitted by section 408 of the Companies Act 2006.

Under FRS 1 the Company is exempt from the requirement to present its own cash flow statement.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable (excluding value added tax and discounts given) derived from the provision of goods and services to customers during the period. The Company derives revenue from software licences, post contract customer support and consultancy services.

The Company recognises the revenue from the sale of software licences and specified upgrades upon shipment of the software product or upgrade, when there are no significant vendor obligations remaining, when the fee is fixed and determinable and when collectability is considered probable. Where appropriate the Company provides a reserve for estimated returns under the standard acceptance terms at the time the revenue is recognised. Payment terms are agreed separately with each customer.

Revenue from post contract customer support and consultancy services is recognised on a straight-line basis over the term of the contract. Revenue received and not recognised in the profit and loss account under this policy is classified as deferred income in the balance sheet.

Revenue from other products and services is recognised as the products are shipped or services provided.

#### Tangible fixed assets

Tangible fixed assets are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Depreciation is provided on all items so as to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Freehold buildings (excluding land)	–	4% on cost
Computer equipment	–	33 1/3% on cost

#### Investments

Fixed asset investments are stated at cost less provision for impairment where appropriate. The directors consider annually whether a provision against the value of investments on an individual basis is required. Such provisions are charged in the profit and loss account in the year.

#### Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is recognised, without discounting, in respect of all timing differences which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

#### Leases

Rentals applicable where substantially all of the benefits and risks of ownership remain with the lessor are classified as operating leases and payments are charged to the profit and loss account on a straight line basis over the period of the lease.

## Notes to the Company Balance Sheet continued

### 30 Company accounting policies (UK GAAP) (continued)

#### FRS20 share based payments

The Company has adopted FRS20 and the accounting policies followed are in all material regards the same as the Group's policy under IFRS2 'Share based payments'. The policy is shown in the Group's accounting policies on pages 29 to 35.

### 31 Tangible fixed assets

	Freehold Land & Buildings £000	Computer equipment £000	Total £000
<b>Cost</b>			
At 1 August 2014	400	23	423
Additions	-	3	3
At 31 July 2015	400	26	426
<b>Depreciation</b>			
At 1 August 2014	42	22	64
Charge for the year	12	1	13
At 31 July 2015	54	23	77
<b>Net book value</b>			
At 31 July 2014	358	1	359
<b>At 31 July 2015</b>	<b>346</b>	<b>3</b>	<b>349</b>

### 32 Investments

	Shares in subsidiary undertakings £000
<b>Cost</b>	
At 1 August 2014	14,093
Additions	-
<b>At 31 July 2015</b>	<b>14,093</b>

## Notes to the Company Balance Sheet continued

### 32 Investments (continued)

The companies in which Tracsis plc's interest is more than 20% at the year end are as follows:

Subsidiary undertaking	Country of incorporation	Principal activity	Class and percentage of shares held	Holding
Tracsis Rail Consultancy Limited (previously) R.W.A. Rail Limited	England and Wales	Rail industry consultancy	Ordinary 100%	Direct
Tracsis Passenger Counts Limited (previously) Peeping Limited	England and Wales	Rail industry ancillary services	Ordinary 100%	Direct
Safety Information Systems Limited	England and Wales	Software and consultancy	Ordinary 100%	Direct
MPEC Technology Limited	England and Wales	Rail industry hardware & datalogging	Ordinary 100%	Direct
Tracsis Traffic Data Limited (previously Sky High Technology Limited and Sky High plc)	England and Wales	Transportation data collection	Ordinary 100%	Direct
Tracsis Traffic Australia Pty Limited (previously Sky High Traffic Data Australia Pty Limited)	Australia	Transportation data collection	Ordinary 100%	Indirect
Datasys Integration Limited	England and Wales	Holding Company	Ordinary 100%	Direct
Datasys Limited	England and Wales	Rail industry software	Ordinary 100%	Indirect
S-H TrafficData Solutions Private Limited	India	Data processing	Ordinary 100%	Indirect
Sky High Data Capture Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Sky High Traffic Data Limited	England and Wales	Dormant	Ordinary 100%	Indirect
The Web Factory Birmingham Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Forsyth Whitehead & Associates Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Sky High Technology (Scotland) Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Count on Us Traffic Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Burra Burra Distribution Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Sky High NCS Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Halifax Computer Services Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Skyhightraffic Limited	England and Wales	Dormant	Ordinary 100%	Indirect
The Traffic Survey Company Limited	England and Wales	Dormant	Ordinary 100%	Indirect
The People Counting Company Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Myratech.net Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Footfall Verification Limited	England and Wales	Dormant	Ordinary 100%	Indirect

## Notes to the Company Balance Sheet continued

### 33 Debtors

	2015	2014
	£000	£000
Trade debtors	179	478
Amounts owed by subsidiary undertakings	245	603
Other debtors	12	12
Corporation Tax	416	141
Deferred Tax asset	15	-
Prepayments	15	27
	<b>882</b>	<b>1,261</b>

Corporation tax is recoverable from other Group companies as Tracsis plc acts as the lead company for the Group's Payment on Account regime.

### 34 Creditors: amounts falling due within one year

	2015	2014
	£000	£000
Trade creditors	32	29
Other tax and social security	86	586
Amounts owed to subsidiary undertakings	7,767	5,869
Accruals and deferred income	561	742
	<b>8,446</b>	<b>7,226</b>

### 35 Provisions for liabilities and charges – deferred tax (asset) / liability

	2015	2014
	£000	£000
At start of the year	6	15
(Credit) / charge to profit and loss account during the year	(21)	(9)
At end of the year	<b>(15)</b>	<b>6</b>

### 36 Share capital

	2015	2015	2014	2014
	Number	£	Number	£
<b>Allotted, called up and fully paid:</b>				
Ordinary shares of 0.4p each	<b>26,564,328</b>	<b>106,257</b>	26,258,114	105,032

The following share transactions have taken place during the year ended 31 July 2015:

306,214 share options under the group's share option schemes were exercised at various points in the year.

## Notes to the Company Balance Sheet continued

### 37 Reserves

	Share premium account £000	Merger reserve £000	Share based payments reserve £000	Profit and loss account £000
At 1 August 2014	4,591	1,846	698	6,535
Dividends	-	-	-	(225)
Issue of new shares	185	-	-	-
Profit for the period	-	-	-	1,701
Share based payment charges	-	-	623	-
<b>At 31 July 2015</b>	<b>4,776</b>	<b>1,846</b>	<b>1,321</b>	<b>8,011</b>

Profit for the period is stated after receiving dividends from subsidiary undertakings of £1,600,000.

### 38 Operating leases

Operating lease commitments

The minimum annual lease payments to which the Company is committed under non-cancellable operating leases for the coming year are as follows:

	2015 £'000	2014 £'000
<b>Land and buildings:</b>		
On leases expiring:		
Within one year	-	9
Expiring between one and two years	60	-

### 39 Reconciliation of movement in shareholders' funds

	2015 £'000	2014 £'000
Profit attributable to ordinary shareholders	1,701	4,533
Dividends paid	(225)	(191)
Other recognised gains:		
- Issue of new shares	186	688
- Share based payments	623	315
	<b>2,285</b>	<b>5,345</b>
Opening shareholders' funds	<b>13,775</b>	<b>8,430</b>
Closing shareholders' funds	<b>16,060</b>	<b>13,775</b>

## Notes to the Company Balance Sheet continued

### 40 Events after the Balance Sheet Date

#### a) Strategic Investment in Citi Logik Limited

On 4 September 2015, the Group made a strategic investment to acquire 29.4% of Citi Logik Limited (Citi Logik). Under the terms of the agreement, the Group will invest up to £1.0m via a combination of equity and debt funding in return for 29.4% of the issued share capital in Citi Logik. Investment of £0.5m (£0.375m equity and £0.125m debt) was made immediately with a further £0.5m to be invested on the same basis, within the 12 months of completion, subject to delivery of agreed business plan milestones. A Tracsis executive will join the Board of Directors of Citi Logik to help grow the business and promote mobile analytics to the Tracsis customer base.

#### b) Acquisition of SEP Limited

On 25th September 2015, the Group acquired the entire issued share capital of SEP Limited and SEP Events Limited ("SEP"), a company which provides traffic planning and management services for the events industry. The consideration comprised an initial cash payment of £1.625m and the issue of 55,005 ordinary shares of 0.4p at an issue price of 454.5p (total value of £0.25m). Deferred consideration of £0.1m is payable over two years along with performance consideration of up to £0.6m, based on SEP achieving certain financial targets in the two years post acquisition, giving a total potential maximum consideration of up to £2.6m. At the date of signing of these accounts, the Group was in the process of completing a fair value exercise to identify assets and liabilities acquired, with the results and impact expected to be incorporated into the Group's interim report for the six months ending 31 January 2016.

## Group information

### **Company Secretary and Registered Office**

Max Cawthra  
Leeds Innovation Centre  
103 Clarendon Road  
Leeds  
LS2 9DF

Telephone +44 (0) 845 125 9162  
Fax +44 (0) 845 125 9163

**Registered number**  
05019106

### **Website**

[www.tracsis.com](http://www.tracsis.com)

### **Auditor**

KPMG LLP  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

### **Principal bankers**

HSBC Bank plc  
33 Park Row  
Leeds  
LS1 1LD

### **Additional bankers**

Natwest  
Santander  
Co-Operative  
Lloyds  
Royal Bank of Scotland

### **Nominated Advisor and Stockbroker**

Investec Bank plc  
2 Gresham Street  
London  
EC2V 7QP

### **Registrars**

Neville Registrars  
18 Laurel Lane  
Halesowen  
West Midlands  
B63 3DA

### **Solicitors**

Rosenblatt Solicitors  
9-13 St Andrew Street  
London  
EC4A 3AF